
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

You are advised to exercise caution in relation to the Proposal. **If you are in any doubt** as to the content of this Scheme Document, any aspect of the Proposal or any action to be taken, you are encouraged to consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

This Scheme Document does not constitute an offer or invitation to, nor is it intended to invite offers by, the public to subscribe for or to purchase shares or other securities of Rivera (Holdings) Limited and it must not be used for the purpose of offering or inviting offers for any securities.

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

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company 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.



Tomson Group

STEP FAMOUS INVESTMENT LIMITED

進譽投資有限公司

(Incorporated in Hong Kong with limited liability)

RIVERA (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 281)

**(1) PROPOSED PRIVATISATION OF RIVERA (HOLDINGS) LIMITED
BY STEP FAMOUS INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

(2) PROPOSED WITHDRAWAL OF LISTING OF RIVERA (HOLDINGS) LIMITED

AND

**(3) SPECIAL DEALS RELATING TO
ROLLOVER AGREEMENT AND FRAMEWORK AGREEMENT**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee

ALTUS CAPITAL LIMITED

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the “Definitions” section of this Scheme Document.

A letter from the Board is set out in the “Letter from the Board” section of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal, the Scheme and the Special Deals is set out in the “Letter from the Independent Board Committee” section of this Scheme Document. A letter from Altus Capital, being the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in relation to the Proposal, the Scheme and the Special Deals is set out in the “Letter from the Independent Financial Adviser” section of this Scheme Document. An Explanatory Statement regarding the Proposal is set out in the “Explanatory Statement” section of this Scheme Document.

The actions to be taken by the Shareholders are set out in the “Actions to be taken” section of this Scheme Document.

Notices convening the Court Meeting to be held at 11:00 a.m. on Friday, 23 July 2021 and the General Meeting to be held at 11:30 a.m. on Friday, 23 July 2021 (or, in the case of the General Meeting, immediately after the conclusion or the adjournment of the Court Meeting) are set out in “Appendix V – Notice of Court Meeting” and “Appendix VI – Notice of General Meeting” to this Scheme Document, respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed on them, and to lodge them at the office of the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated in the “Actions to be taken” section of this Scheme Document. Completion and return of the forms of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked by operation of law.

This Scheme Document is jointly issued by the Offeror and the Company.

In case of any inconsistency, save for “Appendix II – Valuation Report”, the English texts of this Scheme Document and the enclosed forms of proxy shall prevail over their respective Chinese texts for the purpose of interpretation. For “Appendix II – Valuation Report”, in case of any inconsistency, the Chinese texts of Appendix II shall prevail over its English texts for the purpose of interpretation.

30 June 2021

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance and is subject to Hong Kong disclosure requirements, which are different from those of the US. The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Hong Kong to schemes of arrangement, which differ from the disclosure requirements applicable under the US federal securities law.

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation and extinguishment of his Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the potential tax consequences of the Proposal.

It may be difficult for US Scheme Shareholders to enforce their rights and claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country other than the US and some or all of their officers and directors may be residents of a country other than the US. US Scheme Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

NOTICE TO SHAREHOLDERS OUTSIDE OF HONG KONG AND THE US

The implementation of the Proposal to Shareholders who are not resident in Hong Kong or the US may be subject to the laws of the relevant jurisdictions in which such holders are located. Such holders should inform themselves about and observe any applicable legal or regulatory requirements.

This Scheme Document is for the exclusive use by the Shareholders solely for the purpose of assessing the Proposal and should not be used other than in connection with such purpose. This Scheme Document has not been lodged with or registered by the Monetary Authority of Singapore, does not constitute an offer or invitation for the sale or purchase of securities in Singapore and shall not form the basis of any contract for the issue or sale of securities in Singapore.

Please refer to the paragraphs headed "18. Overseas Shareholders" in the "Explanatory Statement" section of this Scheme Document for further information.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE GENERAL MEETING

Taking into account the recent developments relating to the novel coronavirus (“COVID-19”) and to safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the Court Meeting and/or the General Meeting (as the case may be):

- (1) Compulsory body temperature checks;
- (2) Completion of health and travel declaration form;
- (3) Wearing of surgical mask before being permitted to attend, and during the attendance of, the Court Meeting and/or the General Meeting (as the case may be);
- (4) No refreshments or drinks will be served; and
- (5) Attendees will be accommodated in separate partitioned rooms or areas with not more than the number as may be allowed under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) from time to time.

Attendees who do not comply with the precautionary measures (1) to (3) above, or who are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong, or whose body temperature reading is 37.5 degrees Celsius or higher will be denied entry to the venue of the Court Meeting and/or the General Meeting (as the case may be), at the absolute discretion of the Company. The Shareholders who are denied entry to the venue of the Court Meeting and/or the General Meeting (as the case may be) will be provided with voting slips of the relevant meeting and may complete, sign and return the voting slips to exercise their voting rights.

The Company strongly urges the Shareholders, particularly those are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong in relation to COVID-19, to complete, sign and return the enclosed form of proxy in respect of the Court Meeting and/or the General Meeting (as the case may be) pursuant to which you may appoint any person or the chairman of the Court Meeting and/or the General Meeting (as the case may be) as a proxy to vote on the resolution(s). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the Court Meeting and/or the General Meeting (as the case may be) or any adjournment thereof. In the event that an eligible Shareholder attends and votes at the Court Meeting and/or the General Meeting (as the case may be) or any adjournment thereof after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.

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ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

Entitlements of Scheme Shareholders and Shareholders to attend and vote at the Court Meeting and the General Meeting

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the Register will be closed from Monday, 19 July 2021 to Friday, 23 July 2021 (both days inclusive) (or such other dates as the Shareholders may be notified by announcement). During such period, no transfer of Shares will be effected.

In order to qualify to vote at the Court Meeting and/or the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, 16 July 2021 (or such other date as the Shareholders may be notified by announcement).

Entitlements of Scheme Shareholders to receive Cancellation Price

Assuming that the Scheme Record Date falls on Tuesday, 17 August 2021, it is proposed that the Register will be closed from Wednesday, 11 August 2021 onwards (or such other date as the Shareholders may be notified by announcement) in order to determine the entitlements of the Scheme Shareholders to receive the cash consideration under the Scheme. During such period, no transfer of Shares will be effected.

In order to qualify for such entitlements to receive the cash consideration under the Scheme, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Tuesday, 10 August 2021 (or such other date as the Shareholders may be notified by announcement).

Forms of proxy

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document sent to the Registered Owners on Wednesday, 30 June 2021. Any subsequent purchasers or transferees of the Shares will need to obtain the relevant form(s) of proxy from the transferors. Alternatively, copies of the forms of proxy can be: (a) obtained from the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; or (b) downloaded from the website of either HKEx at <https://www.hkexnews.hk> or the Company at <http://www.rivera.com.hk>.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person:

- (a) if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting; and
- (b) if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the General Meeting,

in accordance with the instructions printed on them, and to lodge them at the office of the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

ACTIONS TO BE TAKEN

In order to be valid:

- (a) the **pink** form of proxy for use at the Court Meeting should be lodged no later than 11:00 a.m. on Thursday, 22 July 2021 (or such other date as the Scheme Shareholders may be notified by announcement), or handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll; and
- (b) the **white** form of proxy for use at the General Meeting should be lodged no later than 11:30 a.m. on Thursday, 22 July 2021 (or such other date as the Shareholders may be notified by announcement).

The completion and return of the relevant form(s) of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been 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 General Meeting, you will still be bound by the outcome of the Court Meeting and/or the General Meeting if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

Announcement of results of the Court Meeting and the General Meeting

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting and, if the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the Court Hearing, and if the Scheme is sanctioned, the Effective Date and the date of withdrawal of listing of the Shares from the Stock Exchange.

Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to purchasers/transferees

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(s) or the transferee(s) 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(s) or the transferee(s).

ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust. Except in relation to HKSCC Nominees, any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, 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 General Meeting.

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

- (a) 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 General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in the sub-paragraphs headed “Forms of proxy” under the paragraphs headed “Actions to be taken by Shareholders” above.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a CCASS Investor Participant, 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 alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme. The procedure for voting in respect of the Scheme by the CCASS Investor Participants and the Other CCASS Participants with respect to the Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

ACTIONS TO BE TAKEN

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER OF THE SHARES, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU 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, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND AT THE GENERAL MEETING WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE PARAGRAPHS HEADED “ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF ARRANGING FOR SUCH SHARES TO BE VOTED.

IF YOU ARE IN DOUBT AS TO THE CONTENT OF THIS SCHEME DOCUMENT, ANY ASPECT OF THE PROPOSAL OR ANY ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT A LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, STOCKBROKER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER AND OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

DEFINITIONS

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, and “persons acting in concert” shall be construed accordingly
“Advance Investments”	Advance Investments Limited (飛躍投資有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“Announcement”	the joint announcement dated the Announcement Date and jointly issued by the Offeror and the Company in relation to the Proposal
“Announcement Date”	18 January 2021, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Group) in connection with the Proposal or its implementation and the withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms
“Beneficial Owner(s)”	any beneficial owner(s) of the Shares whose Shares are registered in the name of a Registered Owner(s)
“Board”	the board of Directors
“Business Day(s)”	a day which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a person admitted to participate in CCASS as a participant, including a CCASS Investor Participant
“Cancellation Price”	the price of HK\$0.65 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Rivera (Holdings) Limited (川河集團有限公司), a company incorporated in Hong Kong with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 281)
“Condition(s)”	the condition(s) of the Scheme, as set out in the paragraphs headed “3. Conditions of the Proposal” in the “Explanatory Statement” section of this Scheme Document
“Cosmos Success”	Cosmos Success Development Limited (國勝發展有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Tomson
“Court Hearing”	the hearing of the petition by the High Court to sanction the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court at 11:00 a.m. on Friday, 23 July 2021 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Decision”	the decision of the Stock Exchange on the non-compliance with Rule 13.24 of the Listing Rules of the Company
“Director(s)”	the director(s) of the Company
“Disinterested Shares”	has the meaning ascribed to it in section 674(3) of the Companies Ordinance
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code
“Explanatory Statement”	the explanatory statement in relation to the Scheme set out on pages 87 to 126 of this Scheme Document

DEFINITIONS

“Framework Agreement”	the framework agreement entered into between the Offeror and Zhangjiang Hi-Tech on 18 January 2021, as amended by the Supplemental Agreement
“General Meeting”	a general meeting of the Company to be held at 11:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on Friday, 23 July 2021 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong and any adjournment thereof to be held after the Court Meeting for the purpose of approving, among other matters, the reduction of the share capital of the Company involved in the Scheme and implementing the Scheme
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited, a company incorporated in Hong Kong with limited liability
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors pursuant to Rule 2.8 of the Takeovers Code, which is established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal, the Scheme and the Special Deals
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a licensed corporation to carry out 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 connection with the Proposal, the Scheme and the Special Deals
“Independent Shareholder(s)”	all Shareholders, other than the Offeror and the Offeror Concert Parties; for the purpose of the Special Deals, Shareholders other than the Offeror, the Offeror Concert Parties, and those who are involved and/or interested in the Special Deals

DEFINITIONS

“Last Trading Day”	18 January 2021, being the last full trading day prior to the publication of the Announcement
“Latest Practicable Date”	25 June 2021, being the last practicable date for ascertaining certain information contained in this Scheme Document
“Letter”	the letter dated 18 January 2021 from the Stock Exchange to the Company in respect of the Decision
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 (or such later date as the Offeror may determine or, to the extent applicable, as the Executive may consent and the High Court may direct)
“Macau”	the Macao Special Administrative Region of the PRC
“Madam Hsu”	Hsu Feng (徐楓), an executive Director and the chairman of the executive committee of the Board, and also the mother of Mr. Albert Tong and Mr. Charles Tong
“Meeting Record Date”	Friday, 23 July 2021, or such other date as shall be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the General Meeting
“Mr. Albert Tong”	Albert Tong (湯子同), an executive Director, a son of Madam Hsu and the younger brother of Mr. Charles Tong
“Mr. Charles Tong”	Tong Chi Kar Charles (湯子嘉), an executive Director, a son of Madam Hsu and the elder brother of Mr. Albert Tong
“Nominee Shareholders”	collectively, Brightsec Limited, Nankeen (Nominees) Limited, Nomsec No. 1 Limited and Nomsec No. 2 Limited, companies incorporated in Hong Kong with limited liability and acting as nominee of Madam Hsu in respect of certain of her shareholding in the Company
“Offer Period”	the period commencing from the Offer Period Commencement Date and ending on the earliest of (a) the Effective Date; (b) the date on which the Proposal lapses; or (c) the date on which an announcement is made on the withdrawal of the Scheme

DEFINITIONS

“Offer Period Commencement Date”	17 December 2020, being the date of publication of the Rule 3.7 Announcement
“Offeror”	Step Famous Investment Limited (進譽投資有限公司), a company incorporated in Hong Kong with limited liability
“Offeror Concert Parties”	persons acting in concert with the Offeror, including but not limited to (i) Madam Hsu, Mr. Albert Tong, Mr. Charles Tong, Tomson, and companies controlled by one or more of them (which include Tomson Group (including Cosmos Success)); (ii) Nominee Shareholders, all acting as nominees of Madam Hsu in respect of certain of her shareholding in the Company; and (iii) Zhangjiang Hi-Tech, the Rollover Shareholder and the companies controlled by any of them
“Offeror Directors”	the directors of the Offeror, namely Madam Hsu, Mr. Charles Tong and Mr. Albert Tong
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, Macau and Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme as described in this Scheme Document
“Register”	the register of members of the Company
“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the Register as a holder of the Share(s)
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Period”	the period commencing on 17 June 2020, being the date falling six months prior to the Offer Period Commencement Date and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Rollover Agreement”	the rollover agreement entered into between the Offeror and the Rollover Shareholder on 18 January 2021
“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholder under the Rollover Agreement

DEFINITIONS

“Rollover Conditions”	the condition(s) of the Rollover Arrangement, as set out in the paragraphs headed “Rollover Conditions” under “4. Special Deals relating to Rollover Agreement and Framework Agreement” in the “Explanatory Statement” section of this Scheme Document
“Rollover Shareholder”	Best Central Developments Limited, a company incorporated in the British Virgin Islands with limited liability and indirect wholly owned by Zhangjiang Hi-Tech
“Rollover Shares”	779,955,407 issued Shares held by the Rollover Shareholder as at the Announcement Date and the Latest Practicable Date
“Rule 3.7 Announcement”	the announcement of the Company dated 17 December 2020 issued pursuant to Rule 3.7 of the Takeovers Code in relation to the possible privatisation of the Company by the Offeror by way of the Scheme
“Scheme”	a scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal
“Scheme Document”	this composite document jointly issued by the Offeror and the Company containing details of the Scheme, the Proposal and the Special Deals
“Scheme Record Date”	17 August 2021, or such other date as shall be announced for determining entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	Share(s) in issue on the Scheme Record Date held by the Shareholders, other than those held by the Offeror and the Offeror Concert Parties (other than Cosmos Success)
“Scheme Shareholder(s)”	registered holders of the Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Registrar”	Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s share registrar

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Offeror, the Company and Zhangjiang Hi-Tech pursuant to the terms of the Framework Agreement in respect of management of the Company after the Effective Date
“Special Deals”	the Rollover Arrangement and the SZMP Transfer contemplated under the Framework Agreement
“Stamp Duty Ordinance”	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Framework Agreement entered into between the Offeror and Zhangjiang Hi-Tech on 5 March 2021
“SZMP”	Shanghai Zhangjiang Micro-electronics Port Co. Ltd.* (上海張江微電子港有限公司), a limited liability company established in the PRC and an associated company of the Company
“SZMP Transfer”	the proposed transfer of approximately 10.503% interests in the registered capital of SZMP held by Advance Investments to Zhangjiang Hi-Tech as contemplated under the Framework Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tomson”	Tomson Group Limited (湯臣集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 258)
“Tomson Board”	the board of directors of Tomson
“Tomson Group”	Tomson and its subsidiaries (including but not limited to Cosmos Success)
“Tong Family”	collectively, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong

DEFINITIONS

“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“U.K.”	the United Kingdom
“United States” or “US”	the United States of America
“Valuer”	Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司)
“Working Days”	any day(s) (other than a Saturday, Sunday or public holiday in both Hong Kong and the PRC) on which commercial banks in Hong Kong and the PRC are generally open for business
“YXCL”	Yue Xiu Capital Limited, being the financial adviser to the Offeror in relation to the Proposal, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
“Zhangjiang Hi-Tech”	Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司), a limited liability company established in the PRC, whose shares are listed on the Shanghai Stock Exchange
“%”	per cent or percentage

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, unless otherwise specified.

The English translation of Chinese names or words in this Scheme Document, where indicated by “”, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

In this Scheme Document, unless the context otherwise requires or specifically states otherwise:

- (a) the singular includes the plural and vice versa;*
- (b) one gender includes the other genders; and*
- (c) references to individuals include companies and other corporations and vice versa.*

EXPECTED TIMETABLE

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. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

Hong Kong time

Date of despatch of this Scheme Document Wednesday, 30 June 2021

Latest time for lodging transfers of Shares
in order to become entitled to attend and vote
at the Court Meeting and/or the General Meeting 4:30 p.m. on Friday, 16 July 2021

Closure of Register for determining entitlements of
Scheme Shareholders to attend and vote at
the Court Meeting, and for determining entitlement of
Shareholders to attend and vote at the General Meeting from Monday, 19 July 2021
to Friday, 23 July 2021
(both days inclusive)

Latest time for lodging forms of proxy in respect of *(Note 1)*

- Court Meeting 11:00 a.m. on Thursday, 22 July 2021
- General Meeting 11:30 a.m. on Thursday, 22 July 2021

Meeting Record Date Friday, 23 July 2021

Court Meeting *(Note 2)* 11:00 a.m. on Friday, 23 July 2021

General Meeting *(Note 2)* 11:30 a.m. on Friday, 23 July 2021
*(or immediately after the conclusion or
adjournment of the Court Meeting)*

Announcement of the results of the Court Meeting
and the General Meeting posted on the respective
websites of HKEx and the Company not later than 7:00 p.m. on
Friday, 23 July 2021

Expected last day for trading in the Shares on
the Stock Exchange Monday, 26 July 2021

Latest time for lodging transfers of Shares in
order to qualify for entitlements under the Scheme 4:30 p.m. on Tuesday, 10 August 2021

EXPECTED TIMETABLE

Closure of Register for determining entitlements of Scheme Shareholders to the Scheme (<i>Note 3</i>)	from Wednesday, 11 August 2021 onwards
Scheme Record Date	Tuesday, 17 August 2021
Court Hearing of the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company involved in the Scheme	Tuesday, 17 August 2021
Announcement of the results of the Court Hearing, the expected Effective Date and the expected date of the withdrawal of the listing of Shares on the Stock Exchange	Tuesday, 17 August 2021
Effective Date (<i>Note 4</i>)	Thursday, 19 August 2021
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange	Thursday, 19 August 2021
Withdrawal of the listing of Shares on the Stock Exchange becomes effective (<i>Note 5</i>)	4:00 p.m. on Friday, 20 August 2021
Latest date to despatch cheques for payment of the Cancellation Price to the Scheme Shareholders (<i>Note 6</i>)	Monday, 30 August 2021

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

Notes:

1. Forms of proxy should be lodged at the office of the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than the time and date stated above. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the General Meeting must be lodged no later than the latest times and date stated above. The **pink** forms of proxy may also be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll. Completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude a holder of Scheme Shares and a Shareholder, respectively, from attending the relevant meeting and voting in person. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy shall be deemed to have been revoked by operation of law.

EXPECTED TIMETABLE

2. The Court Meeting and the General Meeting will be held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at the times and date specified above. Please refer to the notice of Court Meeting set out in Appendix V to this Scheme Document and the notice of General Meeting set out in Appendix VI to this Scheme Document for details. If a tropical cyclone warning signal No. 8 or above is hoisted or a black rainstorm warning signal is in force at any time after 7:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting will be postponed. The Company will post an announcement on the respective websites of HKEx and the Company to notify the members of the date, time and venue of the rescheduled meetings.
3. The Register will be closed as from such time and on such date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
4. The Scheme will become effective upon all the Conditions set out in the paragraphs headed “3. Conditions of the Proposal” in the “Explanatory Statement” section of this Scheme Document having been satisfied or waived (as applicable).
5. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at or before 4:00 p.m. on Friday, 20 August 2021.
6. Cheques for payment of the Cancellation Price to the Scheme Shareholders will be despatched within seven (7) Business Days following the Effective Date by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the Register as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the Register as at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.

Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, the Independent Financial Adviser 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.

LETTER FROM THE BOARD



Tomson Group

RIVERA (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 281)

Non-Executive Chairman:

Madam Liu Ying

Executive Directors:

Madam Hsu Feng

Mr. Albert Tong

Mr. Tong Chi Kar Charles

Mr. Zhao Haisheng

Non-Executive Director:

Mr. Sung Tze-Chun

Independent Non-Executive Directors:

Mr. Zhang Hong Bin

Mr. Tsang Kam Chuen

Mr. Ng Chi Him

Registered Office:

Rooms 1501-2 and 1507-12

15th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

30 June 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF RIVERA (HOLDINGS) LIMITED
BY STEP FAMOUS INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
(2) PROPOSED WITHDRAWAL OF LISTING OF RIVERA (HOLDINGS) LIMITED
AND
(3) SPECIAL DEALS RELATING TO
ROLLOVER AGREEMENT AND FRAMEWORK AGREEMENT**

INTRODUCTION

On 18 January 2021 (after trading hours), the Offeror and the Company jointly announced that the Offeror formally requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

LETTER FROM THE BOARD

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 General Meeting (together with proxy forms in relation thereto). Your attention is drawn to the following sections of this Scheme Document: (a) the letter from the Independent Board Committee set out in the “Letter from the Independent Board Committee” section; (b) the letter from the Independent Financial Adviser set out in the “Letter from the Independent Financial Adviser” section; (c) the Explanatory Statement set out in the “Explanatory Statement” section; and (d) the terms of the Scheme set out in Appendix IV to this Scheme Document.

TERMS OF THE PROPOSAL

Consideration

The Scheme will provide that the Scheme Shares be cancelled in exchange for the payment to Scheme Shareholders of HK\$0.65 in cash for each Scheme Share.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities issued by the Company.

No price increase statement

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

Comparisons of value

The Cancellation Price represents:

- (a) a premium of approximately 62.50% over the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the last trading day prior to the Offer Period Commencement Date;
- (b) a premium of approximately 64.97% over the average closing price of approximately HK\$0.394 per Share based on the daily closing prices as quoted on the Stock Exchange over the five (5) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (c) a premium of approximately 63.59% over the average closing price of approximately HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the thirty (30) trading days up to and including the last trading day prior to the Offer Period Commencement Date;

LETTER FROM THE BOARD

- (d) a premium of approximately 71.13% over the average closing price of approximately HK\$0.380 per Share based on the daily closing prices as quoted on the Stock Exchange over the sixty (60) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (e) a premium of approximately 63.89% over the average closing price of approximately HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the one hundred and eighty (180) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (f) a premium of approximately 12.07% over the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (g) a premium of approximately 14.04% over the average closing price of approximately HK\$0.570 per Share based on the daily closing prices as quoted on the Stock Exchange over the five (5) trading days up to and including the Last Trading Day;
- (h) a premium of approximately 26.34% over the average closing price of approximately HK\$0.515 per Share based on the daily closing prices as quoted on the Stock Exchange over the thirty (30) trading days up to and including the Last Trading Day;
- (i) a premium of approximately 43.59% over the average closing price of approximately HK\$0.453 per Share based on the daily closing prices as quoted on the Stock Exchange over the sixty (60) trading days up to and including the Last Trading Day;
- (j) a premium of approximately 58.23% over the average closing price of approximately HK\$0.411 per Share based on the daily closing prices as quoted on the Stock Exchange over the one hundred and eighty (180) trading days up to and including the Last Trading Day;
- (k) a discount of approximately 33.13% to the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.972 as at 31 December 2020, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$2,536.25 million as at 31 December 2020 by the number of issued Shares on the Latest Practicable Date of 2,608,546,511 Shares; and
- (l) a premium of approximately 4.84% over the closing price of HK\$0.620 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account, among others, the financial information of the Group, the prices at which the Shares were traded on the Stock Exchange and the trading volumes over the past year, and pricing premiums for privatisation transactions of companies listed on the Stock Exchange in recent years.

LETTER FROM THE BOARD

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.63 on each of the trading days during the period from 24 May 2021 to 28 May 2021 and each of the trading days during the period from 1 June 2021 to 22 June 2021, respectively, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.345 each on 23 September 2020, 5 October 2020, 6 October 2020 and 7 October 2020, respectively.

Total consideration

As at the Latest Practicable Date, there were 2,608,546,511 Shares in issue of which 908,114,054 Shares were the Scheme Shares, which represented approximately 34.81% of the total issued Shares. On the basis of the Cancellation Price per Scheme Share and 908,114,054 Scheme Shares were in issue as at the Latest Practicable Date and assuming no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$590.27 million, which represents the amount of cash consideration required to effect the Proposal.

Confirmation of financial resources

Payment of the cash consideration under the Scheme will be funded by the internal cash resources of the Offeror. YXCL, as 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.

Approval by Independent Shareholders

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and the Offeror Concert Parties will abstain from voting at the Court Meeting on the resolution to approve the Scheme. The Court Meeting will be conducted pursuant to the court order dated 24 June 2021 by the High Court (the “**Order**”). By the Order, the High Court has appointed Mr. Ng Chi Him, or failing him, Mr. Tsang Kam Chuen, or failing him, any other available Director to act as chairman of the Court Meeting.

As at the Latest Practicable Date, the Scheme Shares, comprising 908,114,054 issued Shares, represented approximately 34.81% of the total issued Shares where the Independent Shareholders were interested in 652,437,728 issued Shares (representing approximately 25.01% of the total issued Shares) and Cosmos Success (an indirect wholly-owned subsidiary of Tomson), an Offeror Concert Party, was interested in 255,676,326 issued Shares (representing approximately 9.80% of the total issued Shares). The Shares held by the Independent Shareholders and Cosmos Success will form the Scheme Shares, but Cosmos Success will abstain from voting at the Court Meeting. Cosmos Success (an indirect wholly-owned subsidiary of Tomson) is a party presumed under the Takeovers Code to be acting in concert with the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong by virtue of Tomson and the Offeror being controlled by Madam Hsu and her close relatives.

LETTER FROM THE BOARD

As at the Latest Practicable Date:

- (a) the Offeror was interested in 396,878,888 issued Shares, representing approximately 15.21% of the total issued Shares;
- (b) Madam Hsu (herself and through Nominee Shareholders) was interested in 317,178,162 issued Shares, representing approximately 12.16% of the total issued Shares. She is the mother of Mr. Albert Tong and Mr. Charles Tong. She is acting in concert with Mr. Albert Tong and Mr. Charles Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of the Offeror and Tomson being controlled by her and her close relatives, and she is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement;
- (c) Mr. Albert Tong was interested in 103,210,000 issued Shares, representing approximately 3.96% of the total issued Shares. Mr. Albert Tong is a son of Madam Hsu and the younger brother of Mr. Charles Tong, and he is acting in concert with Madam Hsu and Mr. Charles Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of Tomson and the Offeror being controlled by him and his close relatives, and he is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement;
- (d) Mr. Charles Tong was interested in 103,210,000 issued Shares, representing approximately 3.96% of the total issued Shares. Mr. Charles Tong is a son of Madam Hsu and the elder brother of Mr. Albert Tong, and he is acting in concert with Madam Hsu and Mr. Albert Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of Tomson and the Offeror being controlled by him and his close relatives, and he is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement; and
- (e) the Rollover Shareholder was interested in 779,955,407 issued Shares, representing approximately 29.90% of the total issued Shares. The Rollover Shareholder and Zhangjiang Hi-Tech are acting in concert with the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong by virtue of the Rollover Arrangement.

The Shares held by the Offeror and the relevant Offeror Concert Parties set out in (a) to (e) above will not form the Scheme Shares and the Offeror, Madam Hsu (and the Nominee Shareholders), Mr. Albert Tong, Mr. Charles Tong and the Rollover Shareholder will abstain from voting on the Scheme at the Court Meeting. The Offeror confirms that no new nominees will be nominated during the Offer Period. If there are any new nominees being nominated during the Offer Period, they will abstain from voting at the Court Meeting and the Shares held by these nominees will not form part of the Scheme Shares.

LETTER FROM THE BOARD

All Shareholders will be entitled to vote on the special resolution(s) to be proposed at the General Meeting to approve and give effect to the reduction of share capital of the Company and the implementation of the Scheme. The Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong have indicated that and the Rollover Shareholder has undertaken that they will vote and Madam Hsu will direct the Nominee Shareholders to vote in favour of the special resolution(s) on the reduction of share capital of the Company and the implementation of the Scheme to be proposed at the General Meeting. The Offeror, Madam Hsu (and the Nominee Shareholders), Mr. Albert Tong, Mr. Charles Tong, the Rollover Shareholder and Cosmos Success will abstain from voting on the resolution on the Special Deals to be proposed at the General Meeting.

CONDITIONS OF THE PROPOSAL

The Proposal is conditional upon the satisfaction or waiver (as applicable) of the conditions described in the paragraphs headed “3. Conditions of the Proposal” in the “Explanatory Statement” section of this Scheme Document.

All Conditions will have to be satisfied or waived (as applicable), on or before the Long Stop Date, failing which the Proposal will lapse.

SPECIAL DEALS RELATING TO ROLLOVER AGREEMENT AND FRAMEWORK AGREEMENT

Rollover Agreement

On 18 January 2021 (after trading hours), the Offeror and the Rollover Shareholder entered into the Rollover Agreement, pursuant to which:

- (a) subject to the Rollover Conditions having been fulfilled, the Offeror and the Rollover Shareholder will remain as Shareholders after the Scheme becoming effective;
- (b) none of the Rollover Shares will constitute the Scheme Shares under the Scheme, and the Rollover Shareholder will abstain from voting on the Scheme at the Court Meeting and the Rollover Arrangement at the General Meeting;
- (c) the Rollover Shareholder has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise the voting rights in respect of the Rollover Shares, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at the General Meeting, and shall take all actions necessary to implement the Scheme;
- (d) the Rollover Shareholder has further undertaken that it shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Rollover Shares, nor will the Rollover Shareholder accept any other offer in respect of any or any of such Rollover Shares;

LETTER FROM THE BOARD

- (e) the Offeror shall ensure that the management of the Company after the Effective Date shall comply with the terms set out in the Framework Agreement;
- (f) the Offeror shall ensure that the Company and Advance Investments (an indirect wholly-owned subsidiary of the Company) shall transfer approximately 10.503% interests in the registered capital of SZMP held by Advance Investments to Zhangjiang Hi-Tech in accordance with the terms of the Framework Agreement after the Effective Date; and
- (g) the Rollover Shareholder shall have the right to transfer all the Rollover Shares to the Offeror at any time during a period of three (3) years from the commencement of the 13th month and up to the end of the 48th month after the Effective Date. Such right could only be exercised once. The Offeror shall appoint a third party valuation firm mutually agreed by the Offeror and the Rollover Shareholder to conduct valuation on the Company within ten (10) business days (i.e. any day(s) (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business) after the Rollover Shareholder serving a written notice to the Offeror on exercise of such right (or such other period as the parties agreed) and the transfer price shall be determined with reference to the valuation.

Rollover Conditions

The implementation of the Rollover Arrangement is subject to the fulfilment of the Rollover Conditions as further described in the paragraphs headed “Rollover Conditions” under “4. Special Deals relating to Rollover Agreement and Framework Agreement” in the “Explanatory Statement” section of this Scheme Document.

The Rollover Agreement shall be terminated upon the Proposal lapses or the Offeror terminates, withdraws or repeals the Proposal or the High Court rejects the Scheme.

Framework Agreement

(a) Shareholders’ Agreement

On 18 January 2021 (after trading hours), the Offeror and Zhangjiang Hi-Tech entered into the Framework Agreement pursuant to which the parties agreed that the Offeror and Zhangjiang Hi-Tech shall enter into the Shareholders’ Agreement with the Company within ten (10) Working Days after the withdrawal of listing of the Shares on the Stock Exchange and shall ensure the Company to amend its articles of association within forty-five (45) days after the withdrawal of listing of the Shares on the Stock Exchange to reflect, inter alia, the provisions of the proceedings for the directors and general meetings, and profit appropriation and dividend payment in the Shareholders’ Agreement.

According to the Framework Agreement, the principal terms of the Shareholders’ Agreement to be entered into between the Offeror and Zhangjiang Hi-Tech are set out in the paragraphs headed “Framework Agreement” under “4. Special Deals relating to Rollover Agreement and Framework Agreement” in the “Explanatory Statement” section of this Scheme Document.

LETTER FROM THE BOARD

(b) SZMP Transfer

Pursuant to the Framework Agreement, the Offeror and Zhangjiang Hi-Tech agreed that they shall procure the board of SZMP to engage a valuation firm as approved by the State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, the PRC to conduct a valuation on SZMP. The Offeror and Zhangjiang Hi-Tech agreed to update the effective valuation date of the valuation on SZMP to 31 March 2021 (or such other subsequent dates as the Offeror and Zhangjiang Hi-Tech may agree in writing), and that the valuation shall be completed on or before 7 June 2021 (or such other subsequent dates as the Offeror and Zhangjiang Hi-Tech may agree in writing). The valuation firm will be independent of and not acting in concert with the Offeror and the Offeror Concert Parties (including Zhangjiang Hi-Tech).

The parties to the Framework Agreement also agreed to ensure that the transfer price for Advance Investments (an indirect wholly-owned subsidiary of the Company) to transfer part of the interests in SZMP held by it (representing approximately 10.503% of the registered capital of SZMP) to Zhangjiang Hi-Tech should be not more than a pro-rata amount to be calculated based on the amount of valuation. It is provided in the Framework Agreement that Advance Investments and Zhangjiang Hi-Tech shall negotiate in good faith and enter into a sale and purchase agreement within sixty (60) days (or such other time as the parties may agree in writing) after the Effective Date or the Proposal having lapsed or not becoming unconditional, subject to all necessary approvals required under the Listing Rules, the Takeovers Code and applicable laws and regulations in respect of the SZMP Transfer having been obtained.

The Framework Agreement is legally binding immediately upon signing and shall terminate when the Proposal shall lapse or not become unconditional.

Based on the valuation report of SZMP, the market value of the entire equity interests in SZMP is RMB4,227.16 million as at 31 March 2021. Hence, the market value of the 10.503% interests in the registered capital of SZMP held by Advance Investments is RMB443.98 million which shall be the transfer price for the SZMP Transfer. The Group expects the consideration to be settled in cash by Zhangjiang Hi-Tech.

Information on SZMP

SZMP is a limited liability company established in the PRC and is held as to approximately 37.020% by Advance Investments (an indirect wholly-owned subsidiary of the Company), approximately 49.497% by Zhangjiang Hi-Tech and approximately 13.483% by an indirect wholly-owned subsidiary of Tomson. SZMP is principally engaged in residential, office and commercial property development and investment in Shanghai, the PRC. SZMP derived its revenue mainly from leasing of property projects in Zhangjiang Hi-Tech Park, Pudong New Area of Shanghai and from sale of car parking spaces in Shanghai in last three years.

LETTER FROM THE BOARD

As at the Latest Practicable Date, SZMP was an associated company of the Company and the results of which were not consolidated in the results of the Group. As disclosed in the annual report of the Company for the years ended 31 December 2019 and 2020, SZMP recorded a net profit of approximately HK\$123,760,000 for the year ended 31 December 2019 and approximately HK\$145,517,000 for the year ended 31 December 2020 which were based on the annual accounts of SZMP audited in accordance with the PRC GAAP by BDO China Shu Lun Pan Certified Public Accountants LLP with the Group's audited adjustments and the Group shared a profit of approximately HK\$45,791,000 for the year ended 31 December 2019 and approximately HK\$53,841,000 for the year ended 31 December 2020. The Group received net dividends in the amount of approximately HK\$40.31 million from SZMP in the year 2020. The Group is expected to receive net dividends in the amount of approximately RMB50.26 million (equivalent to approximately HK\$60.26 million converted at an exchange rate of RMB1 to HK\$1.19888, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) from SZMP in the second half of 2021.

Reasons for the Rollover Arrangement and the SZMP Transfer

Please refer to the paragraphs headed "Reasons for the Rollover Arrangement and the SZMP Transfer" under "4. Special Deals relating to Rollover Agreement and Framework Agreement" in the "Explanatory Statement" section of this Scheme Document for further details.

Independent Shareholders' Approval

The Rollover Agreement was only entered into by and between the Offeror and the Rollover Shareholder and the Framework Agreement was only entered into between the Offeror and Zhangjiang Hi-Tech. As the Rollover Arrangement and the proposed arrangements contemplated under the Framework Agreement are not offered to all Shareholders, the Rollover Arrangement and the SZMP Transfer contemplated under the Framework Agreement constitute special deals and require the consent of the Executive under Rule 25 of the Takeovers Code.

The Offeror has made an application for consent from the Executive to the Special Deals conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned, and (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals.

Please refer to the paragraphs headed "Independent Shareholders' Approval" under "4. Special Deals relating to Rollover Agreement and Framework Agreement" in the "Explanatory Statement" section of this Scheme Document for further details.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

As at the Latest Practicable Date:

- (a) other than the Special Deals, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares which might be material to the Proposal;

LETTER FROM THE BOARD

- (b) there was no agreement or arrangement to which the Offeror was a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and
- (c) save that the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong have indicated that they will, and Madam Hsu will direct the Nominee Shareholders to, vote in favour of the special resolution(s) on the reduction of share capital of the Company and the implementation of the Scheme to be proposed at the General Meeting and the Rollover Shareholder has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules, and applicable laws and regulations, that they will vote in favour of all resolutions which are necessary to implement the Scheme proposed at the General Meeting, and shall take all actions necessary to implement the Scheme, neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) there were 2,608,546,511 Shares in issue;
- (b) the Offeror owned 396,878,888 issued Shares, representing approximately 15.21% of the total issued Shares;
- (c) Madam Hsu (herself and through Nominee Shareholders), an Offeror Concert Party, owned a total of 317,178,162 issued Shares (representing approximately 12.16% of the total issued Shares);
- (d) Mr. Albert Tong, an Offeror Concert Party, owned 103,210,000 issued Shares (representing approximately 3.96% of the total issued Shares);
- (e) Mr. Charles Tong, an Offeror Concert Party, owned 103,210,000 issued Shares (representing approximately 3.96% of the total issued Shares);
- (f) the Rollover Shareholder, an Offeror Concert Party, owned 779,955,407 issued Shares (representing approximately 29.90% of the total issued Shares);
- (g) Cosmos Success, an Offeror Concert Party, owned 255,676,326 issued Shares (representing approximately 9.80% of the total issued Shares);
- (h) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;

LETTER FROM THE BOARD

- (i) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company; and
- (j) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the Scheme Shares, comprising 908,114,054 issued Shares, represented approximately 34.81% of the total issued Shares.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, Mr. Zhang Hong Bin, Mr. Tsang Kam Chuen and Mr. Ng Chi Him, who are not involved in and/or interested in the Proposal, the Scheme and the Special Deals, has been formed to advise the Independent Shareholders on the Proposal, the Scheme and the Special Deals.

Madam Liu Ying, a non-executive Director, is not considered as independent for the purpose of giving advice or recommendation to the Independent Shareholders and is not a member of the Independent Board Committee as she is the chairman of the board, secretary of the party committee and the legal representative of Zhangjiang Hi-Tech, an Offeror Concert Party.

Mr. Sung Tze-Chun, a non-executive Director, is not considered as independent for the purpose of giving advice or recommendation to the Independent Shareholders and is not a member of the Independent Board Committee as he is a consultant of Tomson, an Offeror Concert Party.

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

INDEPENDENT FINANCIAL ADVISER

Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Special Deals. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from Altus Capital is set out in the “Letter from the Independent Financial Adviser” section of this Scheme Document.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Please refer to the paragraphs headed “10. Reasons for and Benefits of the Proposal” in the “Explanatory Statement” section of this Scheme Document.

LETTER FROM THE BOARD

INTENTIONS OF THE OFFEROR WITH REGARD TO THE COMPANY

Your attention is drawn to the paragraphs headed “12. Intentions of the Offeror with regard to the Company” in the “Explanatory Statement” section of this Scheme Document.

The Board is aware of and welcomes the Offeror’s intentions as set out in the paragraphs headed “12. Intentions of the Offeror with regard to the Company” in the “Explanatory Statement” section of this Scheme Document that, among others, the existing businesses of the Group shall be continued save as disclosed otherwise in the said paragraphs, and is willing to render reasonable cooperation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES

Please refer to Appendix I headed “Financial Information of the Group” in this Scheme Document, and the paragraphs headed “11. Information on the Offeror and the Offeror Concert Parties” in the “Explanatory Statement” section of this Scheme Document.

SHARE CERTIFICATES AND WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled. Share certificates for the Shares held by the Scheme Shareholders 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 of the Listing Rules, subject to the Scheme becoming effective, following the Effective Date.

On 18 January 2021, the Company received the Letter notifying the Company of the Decision. For details, please refer to the announcement dated 18 January 2021 issued by the Company in this regard. Pursuant to the Decision, in the event that the Proposal does not materialise, the Stock Exchange will consider an immediate application of the trading suspension requirement of Rule 6.01(3) of the Listing Rules.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

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 twelve (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.

LETTER FROM THE BOARD

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Scheme, or 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.

OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the paragraphs headed “18. Overseas Shareholders” in the “Explanatory Statement” section of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in the “Actions to be taken” section of this Scheme Document and the paragraphs headed “22. Summary of Actions to be Taken” in the “Explanatory Statement” section of this Scheme Document.

RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Special Deals in the letter from the Independent Board Committee set out in the “Letter from the Independent Board Committee” section of this Scheme Document. Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Special Deals. The text of the letter from Altus Capital containing its recommendations and the principal factors and reasons that it has taken into consideration in arriving at its recommendations is set out in the “Letter from the Independent Financial Adviser” section of this Scheme Document.

We would advise you to carefully read such letters of advice before you take any action in respect of the Proposal.

Scheme Shareholders are reminded to exercise your vote in respect of the Scheme and the Special Deals independently with reference to your own conditions and at your own discretion. If the Special Deals are not approved, the Scheme shall not be proceeding. Correspondingly, if the Special Deals are approved while the Scheme is not approved, then only the SZMP Transfer (but not the Rollover Agreement and the Shareholders’ Agreement) shall be implemented.

REGISTRATION AND PAYMENT

Your attention is drawn to the paragraphs headed “17. Registration and Payment” in the “Explanatory Statement” section of this Scheme Document.

TAXATION ADVICE

Your attention is drawn to the paragraphs headed “19. Taxation” in the “Explanatory Statement” section of this Scheme Document.

LETTER FROM THE BOARD

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal. It is emphasised that none of the Offeror, the Company, YXCL or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of the implementation of the Proposal.

FURTHER INFORMATION

You are urged to carefully read the following documents:

- (a) the letter from the Independent Board Committee set out in the “Letter from the Independent Board Committee” section of this Scheme Document;
- (b) the letter from Altus Capital, set out in the “Letter from the Independent Financial Adviser” section of this Scheme Document;
- (c) the “Explanatory Statement” section of this Scheme Document;
- (d) the Scheme as set out in Appendix IV to this Scheme Document;
- (e) the notice of Court Meeting as set out in Appendix V to this Scheme Document;
- (f) the notice of the General Meeting as set out in Appendix VI to this Scheme Document; and
- (g) other Appendices to this Scheme Document.

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

Yours faithfully,
For and on behalf of the board of
RIVERA (HOLDINGS) LIMITED
Liu Ying
Non-Executive Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Tomson Group

RIVERA (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 281)

*Members of the Independent Board Committee
and Independent Non-Executive Directors:*

Mr. Zhang Hong Bin
Mr. Tsang Kam Chuen
Mr. Ng Chi Him

Registered Office:

Rooms 1501-2 and 1507-12
15th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

30 June 2021

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF RIVERA (HOLDINGS) LIMITED
BY STEP FAMOUS INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

(2) PROPOSED WITHDRAWAL OF LISTING OF RIVERA (HOLDINGS) LIMITED

AND

**(3) SPECIAL DEALS RELATING TO
ROLLOVER AGREEMENT AND FRAMEWORK AGREEMENT**

We refer to the composite document dated 30 June 2021 jointly issued by the Offeror and the Company in relation to the Proposal, the Scheme and the Special Deals (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 have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders as to (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and the General Meeting; and (b) whether the terms of the Special Deals are, or are not, fair and reasonable and whether to vote in favour of the Special Deals at the General Meeting.

Altus Capital has been appointed with our approval as the independent financial adviser to advise us in connection with the Proposal, the Scheme and the Special Deals. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” section of the Scheme Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

In the “Letter from the Independent Financial Adviser” section of the Scheme Document, Altus Capital states that it considers (a) the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Independent Shareholders; and (b) the terms of the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned, and it advises the Independent Board Committee to recommend the Independent Shareholders to (a) vote in favour of the resolution to approve the Scheme at the Court Meeting; (b) vote in favour of the special resolution(s) to approve the implementation of the Scheme at the General Meeting; and (c) vote in favour of the ordinary resolution to approve the Special Deals at the General Meeting which is a standalone resolution separate from the voting resolutions in (a) and (b) above.

The Independent Board Committee, having considered the terms of the Proposal and the Special Deals and having taken into account the opinion of Altus Capital, and in particular the factors, reasons and recommendations set out in its letter in the “Letter from the Independent Financial Adviser” section of the Scheme Document, considers that, as far as the Independent Shareholders are concerned, the terms of the Proposal are fair and reasonable and the terms of the Special Deals are fair and reasonable.

Accordingly, the Independent Board Committee recommends:

- (a) at the Court Meeting, the Independent Shareholders to vote in favour of the resolution to approve the Scheme;
- (b) at the General Meeting, the Shareholders to vote in favour of the special resolution to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled; and
- (c) at the General Meeting, the Independent Shareholders to vote in favour of the ordinary resolution to approve and give effect to the Special Deals.

The Independent Board Committee draws the attention of the Independent Shareholders to (i) the “Letter from the Board” section of the Scheme Document; (ii) the “Letter from the Independent Financial Adviser” section of the Scheme Document, which sets out the factors and reasons the Independent Financial Adviser had taken into account in arriving at its recommendations to the Independent Board Committee; and (iii) the “Explanatory Statement” section of the Scheme Document.

Yours faithfully,

Independent Board Committee

Mr. Zhang Hong Bin
*Independent Non-Executive
Director*

Mr. Tsang Kam Chuen
*Independent Non-Executive
Director*

Mr. Ng Chi Him
*Independent Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Altus Capital, the independent financial adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Special Deals for the purpose of inclusion in the Scheme Document.

ALTUS .
Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

30 June 2021

To the Independent Board Committee

Rivera (Holdings) Limited
Rooms 1501-2 and 1507-12
15th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF RIVERA (HOLDINGS) LIMITED
BY STEP FAMOUS INVESTMENT LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE;
(2) PROPOSED WITHDRAWAL OF LISTING OF
RIVERA (HOLDINGS) LIMITED;
AND
(3) SPECIAL DEALS RELATING TO
ROLLOVER AGREEMENT AND FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Special Deals. Details of the Proposal, the Scheme and the Special Deals are set out in the “Letter from the Board” contained in the Scheme Document dated 30 June 2021, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Proposal

On 18 January 2021 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

Special Deals

On 18 January 2021 (after trading hours), the Offeror and the Rollover Shareholder entered into the Rollover Agreement pursuant to which the parties agreed that the Rollover Shareholder shall retain its shareholding in the Company and remain as a Shareholder after the Scheme becoming effective.

On 18 January and 5 March 2021 (after trading hours), the Offeror and Zhangjiang Hi-Tech entered into the Framework Agreement and the Supplemental Agreement pursuant to which the parties agreed that the Offeror and Zhangjiang Hi-Tech shall enter into the Shareholders' Agreement with the Company within 10 Working Days after the withdrawal of listing of the Shares on the Stock Exchange. In addition, the Offeror and Zhangjiang Hi-Tech shall procure the board of SZMP to engage a valuation firm as approved by the State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, the PRC to conduct a valuation on SZMP as at 31 March 2021 (or such other subsequent dates as the Offeror and Zhangjiang Hi-Tech may agree in writing) and shall ensure Advance Investments (an indirect wholly-owned subsidiary of the Company) to transfer part of the interests in SZMP held by it (representing approximately 10.503% interests in the registered capital of SZMP) to Zhangjiang Hi-Tech after the Effective Date or the Proposal having lapsed or not becoming unconditional, subject to all necessary approvals required under the Listing Rules, the Takeovers Code and applicable laws and regulations in respect of the SZMP Transfer having been obtained at a price with reference to the valuation.

The Rollover Arrangement and the SZMP Transfer contemplated under the Framework Agreement constitute special deals under Rule 25 of the Takeovers Code and are therefore conditional on (i) the approval of the Independent Shareholders at the General Meeting; and (ii) the consent from the Executive pursuant to Rule 25 of the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

Madam Liu Ying, a non-executive Director, is not considered as independent for the purpose of giving advice or recommendation to the Independent Shareholders and is not a member of the Independent Board Committee as she is the chairman of the board, secretary of the party committee and the legal representative of Zhangjiang Hi-Tech, an Offeror Concert Party.

Mr. Sung Tze-Chun, a non-executive Director, is not considered as independent for the purpose of giving advice or recommendation to the Independent Shareholders and is not a member of the Independent Board Committee as he is a consultant of Tomson, an Offeror Concert Party.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, consisting of all independent non-executive Directors who are not involved in and/or interested in the Proposal, the Scheme and the Special Deals, namely, Mr. Zhang Hong Bin, Mr. Tsang Kam Chuen and Mr. Ng Chi Him, has been established by the Board to make recommendations to the Independent Shareholders as to whether the terms of the Proposal, the Scheme and the Special Deals are, or are not, fair and reasonable and whether to vote in favour of the Scheme at the Court Meeting and resolutions to be proposed at the General Meeting.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal, the Scheme and Special Deals, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to (i) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable so far as the Scheme Shareholders are concerned; (ii) whether the Special Deals are, or are not, fair and reasonable so far as the Independent Shareholders are concerned; (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Scheme at the Court Meeting; (iv) how the Independent Shareholders should vote in relation to the special resolution(s) to approve and give effect to the implementation of the Scheme at the General Meeting; and (v) how the Independent Shareholders should vote in respect of the ordinary resolution to approve the Special Deals at the General Meeting.

We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document. Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal, the Scheme and the Special Deals is at market level and not conditional upon the outcome of the Proposal, the Scheme and the Special Deals; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Special Deals.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Announcement; (ii) the Rollover Agreement; (iii) the Framework Agreement; (iv) the annual reports of the Company for the years ended 31 December 2019 (the “**2019 Annual Report**”) and 31 December 2020 (the “**2020 Annual Report**”); (v) other announcements made by the Company during the year ended 31 December 2020 and up to the Latest Practicable Date; and (vi) other information as set out in the Scheme Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Scheme Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Scheme Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date, and before the despatch of the Scheme Document.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. Saved as disclosed under the sub-section headed “1.3 Outlook of the Group” of the section headed “Principal factors and reasons considered for the Proposal” in this letter, we have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Scheme Shareholders arising from acceptance or non-acceptance of the Proposal and the Scheme, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Scheme Shareholders as a result of the Proposal and the Scheme. In particular, the Scheme Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

PRINCIPAL TERMS OF THE PROPOSAL

1. The Proposal

The Proposal to privatise the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof the payment to the Scheme Shareholders of HK\$0.65 in cash for each Scheme Share. For the detailed price comparison, please refer to the sub-section headed “4.1 Cancellation Price comparison” under the section headed “4. The Cancellation Price” under the section headed “Principal factors and reasons considered for the Proposal” of this letter.

As at the Latest Practicable Date, there were 2,608,546,511 Shares in issue, of which 908,114,054 Shares were the Scheme Shares, representing approximately 34.81% of the total issued Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the basis of the Cancellation Price per Scheme Share and 908,114,054 Scheme Shares are in issue and assuming no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$590.27 million, which represents the amount of cash consideration required to effect the Proposal.

2. Conditions of the Proposal

The Proposal 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, details of which are set out in the section headed “3. Conditions of the Proposal” in the “Explanatory Statement” of the Scheme Document:

- (a) the approval of the Scheme at the Court Meeting (by way of poll) by Scheme Shareholders representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all Disinterested Shares, provided that:
 - (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of 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 Independent Shareholders;
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the General Meeting (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme respectively;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Special Deals;
- (f) all Authorisations (if any) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (g) 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);
- (h) 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;
- (i) 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
- (j) since the Announcement Date: (i) there having been no 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

The Offeror reserves the right to waive all or any of the Conditions, either in whole or in respect of any particular matter, except for Conditions in paragraphs (a) to (e). The Company does not have the right to waive any of the Conditions.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

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 Proposal 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.

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

It is currently expected that, assuming that all of the Conditions are fulfilled (or, as applicable, waived in whole or part), the Scheme will become effective on or about Thursday, 19 August 2021 and the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Friday, 20 August 2021 pursuant to Rule 6.15 of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and the Offeror Concert Parties will abstain from voting at the Court Meeting on the resolution to approve the Scheme.

All Shareholders will be entitled to vote on the special resolutions to be proposed at the General Meeting to approve and give effect to the reduction of share capital of the Company and the implementation of the Scheme. The Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong have indicated that and the Rollover Shareholder has undertaken that they will vote and Madam Hsu will direct the Nominee Shareholders to vote in favour of the special resolution(s) on the reduction of share capital of the Company and the implementation of the Scheme to be proposed at the General Meeting. The Offeror, Madam Hsu (and the Nominee Shareholders), Mr. Albert Tong, Mr. Charles Tong, the Rollover Shareholder and Cosmos Success will abstain from voting on the resolutions on the Special Deals to be proposed at the General Meeting.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

1. Background information of the Company

1.1 Principal activities

The Group is principally engaged in property development and investment in Shanghai as well as securities trading and investment in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial information

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2018, 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Annual Report.

	For the year ended 31 December		
	2020	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Gross proceeds from operations	109.07	181.42	219.66
- <i>Gross proceeds from securities trading and investment</i>	<i>107.41</i>	<i>179.86</i>	<i>181.54</i>
- <i>Gross proceeds from disposal of financial assets at fair value through profit and loss</i>	<i>63.88</i>	<i>127.92</i>	<i>78.01</i>
- <i>Dividends income from equity instruments at fair value through other comprehensive income</i>	<i>27.20</i>	<i>44.51</i>	<i>100.17</i>
- <i>Dividends income from financial assets at fair value through profit and loss</i>	<i>16.33</i>	<i>7.43</i>	<i>3.36</i>
- <i>Revenue from property development and investment</i>	<i>1.66</i>	<i>1.56</i>	<i>38.12</i>
- <i>Sales of properties</i>	<i>0.82</i>	<i>0.97</i>	<i>37.38</i>
- <i>Leasing of properties</i>	<i>0.84</i>	<i>0.59</i>	<i>0.74</i>
<i>Revenue</i>	<i>1.66</i>	<i>1.56</i>	<i>38.12</i>
<i>Cost of sales</i>	<i>(0.24)</i>	<i>(0.30)</i>	<i>(2.46)</i>
<i>Dividends from equity instruments at fair value through other comprehensive income</i>	<i>27.20</i>	<i>44.51</i>	<i>100.17</i>
- <i>Dividends income from Tomson</i>	<i>27.20</i>	<i>44.51</i>	<i>95.24</i>
- <i>Other dividends income</i>	<i>–</i>	<i>–</i>	<i>4.93</i>
<i>Net (loss) gain on financial assets at fair value through profit or loss</i>	<i>(55.95)</i>	<i>14.77</i>	<i>7.50</i>
<i>Other income</i>	<i>13.59</i>	<i>22.72</i>	<i>18.98</i>
<i>Selling expenses</i>	<i>(0.01)</i>	<i>(0.01)</i>	<i>(0.37)</i>
<i>Administrative expenses</i>	<i>(12.82)</i>	<i>(13.54)</i>	<i>(13.47)</i>
<i>Other gains and losses</i>	<i>(8.98)</i>	<i>(0.57)</i>	<i>(1.18)</i>
Operating (loss)/profit	(35.55)	69.14	147.29
Share of results of an associate (<i>Note 1</i>)	53.84	45.79	47.30
Profit for the year	14.64	111.89	176.98
Profit attributable to owners of the Company	15.23	111.75	177.05
Earnings per Share (HK cents) (<i>Note 2</i>)	0.58	4.28	6.79
Dividend per Share (HK\$)	Nil	0.04	0.04

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	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current assets	1,312.4	1,261.7	1,363.9
- <i>Interest in an associate (Note 1)</i>	796.5	739.3	755.4
- <i>Equity instruments at fair value through other comprehensive income</i>	484.5	490.3	557.6
Current assets	1,267.7	1,360.7	1,465.5
- <i>Financial assets at fair value through profit or loss</i>	225.9	222.7	115.0
- <i>Cash and bank balances</i>	1,004.4	1,088.9	1,313.0
Total assets	2,580.1	2,622.4	2,829.4
Total liabilities	35.6	34.6	164.8
Net assets attributable to owners of the Company	2,536.3	2,579.3	2,655.9
Net asset value per Share (HK\$) (<i>Note 3</i>)	0.97	0.99	1.02

Notes:

1. The associate is SZMP, in which the Group holds approximately 37.020% interests in its registered capital as at the Latest Practicable Date. SZMP is principally engaged in residential, office and commercial property development and investment in Shanghai.

The carrying amount of the Group's interest in SZMP as at 31 December 2020 was approximately HK\$796,476,000.
2. The calculation of the earnings per Share is based on the Group's profit attributable to owners of the Company for the respective financial year and on the number of Shares in issue during the year.
3. The calculation of the net asset value per Share as at the respective year-end date is based on the Group's audited consolidated net assets attributable to owners of the Company as at the respective financial year-end date and on the number of Shares in issue as at the year-end date.

Year ended 31 December 2020 ("FY2020") compared to year ended 31 December 2019 ("FY2019")

Gross proceeds from operations of the Group for FY2020 amounted to approximately HK\$109.1 million, representing a decrease of approximately 39.9% from the gross proceeds from operations of the Group for FY2019 of approximately HK\$181.4 million. Such decrease was mainly attributable to the decrease in (i) gross proceeds from disposal of financial assets at fair value through profit and loss of the Group, which are all listed securities in Hong Kong, from approximately HK\$127.9 million in FY2019 to approximately HK\$63.9 million in FY2020; and (ii) dividends income from Tomson, a long-term equity investment of the Group, from approximately HK\$44.5 million in FY2019 to approximately HK\$27.2 million in FY2020, despite an increase in dividends income from other financial assets from approximately HK\$7.4 million in FY2019 to approximately HK\$16.3 million in FY2020.

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Gross proceeds generated from securities trading and investment of the Group amounted to approximately HK\$107.4 million, representing approximately 98.5% of the gross proceeds from operations of the Group for FY2020 as compared to approximately HK\$179.9 million, representing approximately 99.1% of the gross proceeds from operations of the Group for FY2019. Revenue generated from property development and investment of the Group amounted to approximately HK\$1.7 million, representing approximately 1.5% of the gross proceeds from operations of the Group for FY2020 as compared to approximately HK\$1.6 million, representing approximately 0.9% of the gross proceeds from operations of the Group for FY2019. As compared to the year ended 31 December 2018 (“FY2018”), the Group recorded a significantly lower revenue generated from property development and investment in both FY2019 and FY2020 as the Group had sold miscellaneous properties held for sale in Macau in FY2018 in addition to the recognition of sale proceeds and rental income generated from the car parking spaces in Shanghai which were the sole revenue in FY2019 and FY2020.

During FY2020, the Group recorded an operating loss of approximately HK\$35.6 million as compared to an operating profit of approximately HK\$69.1 million in FY2019. The change from operating profit to operating loss was mainly attributable to (i) the significant drop in dividends income from Tomson from approximately HK\$44.5 million for FY2019 to approximately HK\$27.2 million for FY2020; (ii) a net loss on financial assets at fair value through profit and loss of approximately HK\$56.0 million recorded in FY2020 as compared with a net gain of approximately HK\$14.8 million for FY2019, after taking account of a net unrealised loss on change in fair value of approximately HK\$71.9 million which was due to the drop in share prices of the listed securities held by the Group in Hong Kong; (iii) the increase in other net losses from approximately HK\$0.6 million in FY2019 to approximately HK\$9.0 million in FY2020, which was due to an impairment loss on other receivable of approximately HK\$11.0 million recorded in FY2020 since it was becoming probable in FY2020 that the debtor will not be able to repay the outstanding balance; and (iv) the decrease in other income from approximately HK\$22.7 million in FY2019 to approximately HK\$13.6 million in FY2020 which was mainly due to the decrease in interest income from the Group’s short-term bank deposits as the interest rate in FY2020 was lower than the interest rate in FY2019. Considering (i) the performance of the securities trading and investment segment depends on the market performance and is therefore volatile; (ii) the impairment loss incurred was a one-off event; and (iii) the movement in interest rate is subject to the market environment, we are of the view that the decline in profitability was not due to changes in fundamentals of the Group.

For FY2020, SZMP, an associate of the Company, reported an increase in its net profit from approximately HK\$123.8 million for FY2019 to approximately HK\$145.5 million and the Group shared a profit of approximately HK\$53.8 million as compared with approximately HK\$45.8 million for FY2019.

The Group recorded a profit of approximately HK\$14.6 million for FY2020 compared to a profit of approximately HK\$111.9 million for FY2019. The significant decrease in profit for FY2020 was attributable to the factors mentioned above. Hence, the earnings per Share for FY2020 was decreased to approximately 0.58 HK cents, representing a decrease of 86.4% as compared to the earnings per Share for FY2019 of approximately 4.28 HK cents. No dividend was declared for FY2020 (FY2019: HK\$0.04 per Share).

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As at 31 December 2020, net assets attributable to owners of the Company remained relatively stable at approximately HK\$2,536.3 million as compared to approximately HK\$2,579.3 million as at 31 December 2019. During the year, the Company recorded a net decrease in cash and bank balances due to (i) the payment in June 2020 of a final dividend for FY2019 of HK\$0.04 per Share amounting to approximately HK\$104.3 million in aggregate; and (ii) an increase in financial assets at fair value through profit and loss of the Group, which are all listed securities in Hong Kong, as reflected by the increase in the fair value to approximately HK\$225.9 million as at 31 December 2020 from approximately HK\$222.7 million as at 31 December 2019 despite the net loss recorded for FY2020; and provided for an impairment loss on other receivable of approximately HK\$11.0 million. These effects were offset by an increase in the value of the interest in SZMP of approximately HK\$57.2 million.

FY2019 compared to FY2018

Gross proceeds from operations of the Group for FY2019 amounted to approximately HK\$181.4 million, representing a decrease of approximately 17.4% from the gross proceeds from operations of the Group for FY2018 of approximately HK\$219.7 million. Such decrease was mainly attributable to the decrease in (i) proceeds from the sales of properties from approximately HK\$37.4 million for FY2018 to approximately HK\$1.0 million for FY2019; and (ii) dividends from equity instruments at fair value through other comprehensive income from approximately HK\$100.2 million in FY2018 to approximately HK\$44.5 million in FY2019, despite the fact that there were (i) an increase in gross proceeds from disposal of financial assets at fair value through profit and loss from approximately HK\$78.0 million in FY2018 to approximately HK\$127.9 million in FY2019; and (ii) an increase in dividends income from financial assets at fair value through profit and loss from approximately HK\$3.4 million in FY2018 to approximately HK\$7.4 million in FY2019.

Gross proceeds generated from securities trading and investment of the Group remained relatively stable at approximately HK\$179.9 million, representing approximately 99.1% of the gross proceeds from operations of the Group for FY2019, as compared to approximately HK\$181.5 million, representing approximately 82.6% of the gross proceeds from operations of the Group for FY2018. Revenue generated from property development and investment of the Group amounted to approximately HK\$1.6 million for FY2019, representing a significant decrease of approximately 95.9% as compared to approximately HK\$38.1 million for FY2018 as the Group had not sold any major properties in FY2019 as compared to FY2018.

During FY2019, the Group recorded an operating profit of approximately HK\$69.1 million as compared to an operating profit of approximately HK\$147.3 million in FY2018. The decrease was mainly attributable to (i) the significant drop in revenue under the property development and investment segment as described above; and (ii) the decreased dividends income from Tomson from approximately HK\$95.2 million for FY2018 to approximately HK\$44.5 million for FY2019, which was offset by the increase in net gain on the financial assets at fair value through profit and loss from approximately HK\$7.5 million for FY2018 to approximately HK\$14.8 million for FY2019.

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For FY2019, SZMP reported a slight decrease in its net profit from approximately HK\$127.8 million for FY2018 to approximately HK\$123.8 million and the Group shared a profit of approximately HK\$45.8 million as compared with approximately HK\$47.3 million for FY2018.

The Group recorded a profit of approximately HK\$111.9 million for FY2019 compared to a profit of approximately HK\$177.0 million for FY2018. The significant decrease in profit for FY2019 was attributable to the factors mentioned above. Hence, the earnings per Share for FY2019 decreased to approximately 4.28 HK cents, representing a decrease of approximately 37.0% as compared to the earnings per Share for FY2018 of approximately 6.79 HK cents. A dividend per Share of HK\$0.04 was declared and paid for FY2019, which was the same as the dividend declared and paid for FY2018.

As at 31 December 2019, net assets attributable to owners of the Company decreased slightly to approximately HK\$2,579.3 million as compared to approximately HK\$2,655.9 million as at 31 December 2018. During the year, the Company recorded a net decrease in cash and bank balances due to (i) the payment in June 2019 of a final dividend for FY2018 of HK\$0.04 per Share amounting to approximately HK\$104.3 million in aggregate; and (ii) the cash used in the operating activities including the income taxes paid amounted to approximately HK\$120.4 million for FY2019.

1.3 Outlook of the Group

In consideration of the Scheme which will be submitted for the approval by the Independent Shareholders and the sanction of the High Court in July and August 2021 respectively and the requirements of the Takeovers Code, the Board will not explore any other investments to expand the scope of business and investment portfolio of the Group in the meantime.

Save for the intention of the Offeror after the Scheme becoming effective, the Group will keep property development and investment as well as securities trading and investment as its principal operating activities.

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In regard to the property development and investment business, residential properties for the middle-class and commercial-cum-office properties in the PRC are the target business segments of the Group. In the event that the SZMP Transfer is implemented, the Group's interest in SZMP will decrease from approximately 37.020% to approximately 26.517% and SZMP will remain as the Group's associate. It is anticipated that the property development and investment business of SZMP in Shanghai will remain one of the principal sources of profit of the Group in 2021 and the revenue will be predominantly generated from rental income. Although the PRC's swift containment of COVID-19 and the availability of COVID-19 vaccines help to solidify the pace of economic recovery, tensions between the US and the PRC continued following the first high level face-to-face meeting in March 2021 which are expected to have a continuous impact on the global economy. Despite the Group had recorded an increase of approximately 17.6% in the share of profit from SZMP in FY2020 as compared to FY2019, we noted the followings:

- (i) The gross domestic product ("GDP") for Shanghai (where most of the Group's property interests are located in) increased slightly by 1.7% from 2019 to 2020¹ and an increase of 17.6% in the first quarter of 2021 as compared to the first quarter in 2020¹, which indicated a steady recovery of the economic conditions since the outbreak of COVID-19 pandemic in late 2019. We also noted the consumer price index for Shanghai increased by 1.7% from 2019 to 2020¹ and a slight increase of 0.3% in the first quarter of 2021 as compared to the first quarter in 2020¹.
- (ii) In addition, we have read from reports published by several independent property consultant firms² in the first quarter of 2021 and observed a general coherent view that there is an increasing vacancy rate and decreasing rent of Grade-A office in Shanghai since the fourth quarter of 2020 and such trend is expected to continue in 2021, which may interpret as the commercial property and office market in Shanghai still faces challenge in the near term despite having a steady recovery of the general economic conditions.

In view of the above, we hold a cautious view on the economic environment going forward, and believe that it may have an impact on personal spending and corporate expansion plans, and affect demand for residential and commercial-cum-office properties and exert pressure on the rent rate and the pace of property development project(s) in the future.

¹ Source: the website of Shanghai Municipal Statistics Bureau上海市統計局 <http://tjj.sh.gov.cn>.

² Such property consultant firms are all independent to the Company, the Offeror and the Offeror Concert Parties. All of them are multi-national consultancy firms and have presence in the PRC, Hong Kong, and major cities of the world. Such consultancy firms share a coherent view on the property market of Shanghai which we believe the information set out in their reports are objective and representative.

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The Macau government announced in December 2013 revised planning directives under the “Urban redevelopment programme of the Northern District of Taipa Area” which covers the area in which the investment property of the Group is located. A public consultation on the draft of “The Master Plan of the Macao Special Administrative Region (2020–2040)” was carried out by the Macau government during early September to early November 2020 and the consultation conclusions were published in April 2021. We understand that the Group will monitor closely the consultation conclusions and continue to explore and evaluate various feasibility plans for its investment property to realise its development potential at an opportune time. We are of the view that the outcome of the abovementioned consultation is unpredictable as the master plan involves many stakeholders as well as various government departments approval and/or legislature procedures, which in turn, may take some time to become materialise or bring any positive impact to the Group.

In addition, the investment property in Macau is held by a company incorporated in Macau which is in turn held as to 60% by the Group and as to 40% by two individuals who are independent third parties. The implementation of any development plans of the investment property needs the support and cooperation from the two individuals as well as the regulatory approvals from various government departments in Macau. As at the Latest Practicable Date, the Group confirmed that no application has been made for the investment property to any of the government departments in Macau as the Macau government has not formulated the final master development plan pending consultation with relevant government committees and legislation process after publication of the consultation conclusions on the draft of “The Master Plan of the Macao Special Administrative Region (2020-2040)”. Although the Group holds more than 50% of the interests of the relevant investment property, the implementation of any development plans of the investment property will not be practical without the support from the two individuals as they have local connection in Macau. Hence, it is a commercial decision that the Group would secure support from the two individuals before implementing any development plan. Accordingly, the Group is still holding an interest in such investment property with no material progress over the years. The value of the property is elaborated in the sub-section headed “4.5.1 Unaudited Reassessed NAV” below.

In regard to the securities trading and investment business, the Group mainly focuses on investment in securities listed on the Stock Exchange with high yield and liquidity for stable recurrent income and long-term capital appreciation in addition to its long-term equity investment in Tomson. Over the past three years, dividends income from Tomson was approximately HK\$95.2 million, HK\$44.5 million and HK\$27.2 million in FY2018, FY2019 and FY2020 respectively, representing approximately 43.4%, 24.5% and 24.9% of the gross proceeds from operations of the respective financial year. Given that (i) investment is subject to market volatility, general market and economic conditions, (ii) other than the investment in SZMP, its associate, the Group is based in Hong Kong, and (iii) the cash and bank balance are mainly kept in Hong Kong, the Board believes that it is most appropriate to focus in the Hong Kong stock market as opposed to other markets. The outbreak of COVID-19 pandemic since late 2019 and the persistent downward pressure exerted by the escalation of Sino-US trade dispute since the second half of 2018 have brought upon unprecedented challenges, and are expected to have a continuous impact on the global economy. Any eventual economic rebound will largely rely on the COVID-19 pandemic containment, the vaccine rollout progress, and the improvement of Sino-US relationship. In response to the pandemic, the Hong Kong Government launched (i) a series of relief measures to support the recovery of economy; and (ii) the vaccination program. According to the 2020 Economic Background and 2021 Prospects published by the Hong Kong Government in February 2021, the Hong Kong Government

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expects 3.5% to 5.5% growth in GDP in 2021, which is largely depending on the progress of vaccination. In short, based on the progress of vaccination around the globe, continuing expansionary monetary policies and recovery of global economy, Hong Kong as an international financial center should see further opportunities, despite of the challenges that could arise from Sino-US relations, and the economy in Hong Kong is expected to gradually recover. However, subject to the pace of economic recovery, we are of the view that the Group may need an arduous effort to identify investments with high yield and liquidity for stable recurrent income and long-term capital appreciation.

It is noted that property development and investment as well as securities trading and investment have been the principal activities of the Group for over ten years. However, the Group has not undertaken any new property projects directly after completion of its residential property project in Shanghai in 2006 and majority of the gross proceeds from operations were generated from the securities trading and investment business since 2008 after recognition of the sale proceeds of the aforesaid residential property project in 2007. Rule 13.24 of the Listing Rules was amended and became effective in October 2019 (with a transitional period of 12 months). Under the amended Rule 13.24(2) of the Listing Rules, proprietary trading and/or investment in securities by an issuer and its subsidiaries (other than an issuer which is an investment company listed under Chapter 21 of the Listing Rules) are normally excluded when considering whether the issuer can meet the requirement of sufficient level of operation and assets of sufficient value to support its operations to warrant continued listing of the Company as set out in Rule 13.24(1) of the Listing Rules. In view of such change in the Listing Rules, income derived from securities trading and investment business, which has always been one of the principal sources of profit of the Group, is therefore excluded by the Stock Exchange (though the Company holds a different point of view) when considering the Company's compliance with Rule 13.24 of the Listing Rules.

In order to demonstrate compliance with Rule 13.24 of the Listing Rules, the Company has submitted an expansion plan of the Group's property development and investment business to the Stock Exchange, which included a proposal to expand the Company's current business (of selling and leasing car parking spaces in Shanghai) to commercial properties in Hong Kong, the PRC (in particular Shanghai) and the U.K. (in particular Central London) markets and involved proposed investments of approximately HK\$1 billion. Despite the Company's effort in formulating expansion plan to demonstrate compliance with Rule 13.24 of the Listing Rules, the Stock Exchange considered that the expansion plan lacked credibility, appeared unrelated and bore little resemblance to the nature and scale of the Company's existing business of leasing the car parking spaces in Shanghai. The Company received a letter dated 18 January 2021 from the Stock Exchange notifying the Company of its decision that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares (the "**Decision**"). Pursuant to Rule 2B.06(1) of the Listing Rules, the Company has the right to refer the Decision to the Listing Committee (as defined in the Listing Rules) for review. In view of the Proposal and after taking into account the difficulties of running the Group's securities trading and investment business in compliance with the Listing Rules and the uncertainty of expanding the Group's property development and investment business, although the Company has different point of view on the Decision and considered that the Decision as undesirable, the Company has decided not to make a request for the Decision to be referred to the Listing Committee for review and proceed to put forward the Proposal for the Independent Shareholders' consideration. For further details, please refer to the section headed "10. Reasons for and benefits of the Proposal" in the "Explanatory Statement" of the Scheme Document. The Company has not taken any action to identify investment opportunities since the Announcement Date.

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In light of the Proposal, the Stock Exchange considered that it is appropriate to delay the trading suspension requirement of Rule 6.01(3) of the Listing Rules such that the trading of the Shares may continue whilst the Proposal is underway. If the Proposal does not materialise for whatever reasons, the Stock Exchange will consider an immediate application of the trading suspension requirement of Rule 6.01(3) of the Listing Rules. We wish to draw the attention of the Scheme Shareholders to the following matters:

- (i) Although the Company was not successful in convincing that its submitted business expansion and investment can readily satisfy the Stock Exchange's concern on the Company's compliance with Rule 13.24 of the Listing Rules, the Board is of the view that the abovementioned expansion plan submitted was seriously conceived, and was structured with due regard to the Company's long-term experience in property investments, and avoiding the risks involved in investing in other businesses or industries that the Management had no previous experience in. We consider this approach is consistent with the fiduciary duties of the Board in safeguarding the value of the Company.
- (ii) Since the Decision has been made under the circumstances, when the Proposal is being presented by the Offeror, the Company and the Management are duty bound to present the Proposal for the Independent Shareholders to consider.
- (iii) In view of the background mentioned above leading to the Decision, we believe that there is an actual and imminent risk of facing trading suspension of the Shares (in the event the Proposal does not materialise), which if prolonged, may eventually lead to delisting of the Company by the Stock Exchange.
- (iv) In the event that the Proposal does not materialise, and the listing status of the Company is cancelled, all the Shareholders will be holding the Shares of an unlisted public company, where trading of the Shares will no longer be easily accessible and no information transparency as compared to the platform offered by the Stock Exchange, which, in turn, will create uncertainty on the price and the liquidity of the Shares going forward.

In view of items (i) to (iv) above, we believe the Proposal, if successfully implemented, would allow the Scheme Shareholders an assured opportunity to exit and realise their investments and interests in the Company for cash.

2. Background information of the Offeror

2.1 The Offeror and its controlling shareholder

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. It is legally and beneficially owned as to 66% by Madam Hsu, 17% by Mr. Albert Tong and 17% by Mr. Charles Tong. Each of Madam Hsu, Mr. Albert Tong and Mr. Charles Tong is also a director of the Offeror. The Offeror is used by the Tong Family for the sole purpose of holding the Shares and, as at the Latest Practicable Date, the Offeror owned 396,878,888 issued Shares, representing approximately 15.21% of the total issued Shares. Save as disclosed, the Offeror does not hold any assets or liabilities nor carry on any businesses.

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2.2 The Offeror's intention in relation to the Company

As disclosed in the section headed "12. Intentions of the Offeror with regard to the Company" in the "Explanatory Statement" of the Scheme Document, it is intended that part of the Company's interests in SZMP will be sold to Zhangjiang Hi-Tech no matter whether the Scheme will become effective subject to compliance with any applicable requirements under the Listing Rules, the Takeovers Code and applicable laws and regulations, and SZMP will remain as an associate company of the Company after completion of the SZMP Transfer. For further detailed analysis of the Special Deals, please refer to the section headed "Principal factors and reasons considered for the Special Deals" of this letter. It is the intention of the Offeror that the securities trading and investment business of the Group may be terminated after the withdrawal of the listing of Shares on the Stock Exchange.

Save for retaining HK\$50 million as the working capital of the Company, if the Company has any distributable profits or dividends, the Company shall distribute the same to the Shareholders in proportion to their respective shareholdings in the Company after the Effective Date. As at 31 December 2020, the Company had reserves amounted to approximately HK\$855.3 million, which is the distributable profit to the Shareholders. Such level of distributable profits had been in existence in the last four years. Scheme Shareholders should note that after the Proposal and the Scheme become effective, the Company will continue to be left with such high level of distributable profits but the Scheme Shareholders will not have the opportunity to share such distributable profits. Although by approving the Proposal, the Scheme and the Special Deals, the Scheme Shareholders may seem to have foregone their future opportunity to share such substantial amount of the distributable profits, we wish to draw the Scheme Shareholders' attention to the following matters:

- (i) Dividends paid by the Company for the three financial years ended 31 December 2020 (FY2020: nil, FY2019: HK\$0.04 per Share and FY2018: HK\$0.04 per Share) amounted to approximately HK\$208.7 million in aggregate, or an average of approximately HK\$69.6 million per year, representing approximately 8.1% of the distributable profits as at 31 December 2020.

However, if the Scheme is not effective or the Proposal otherwise lapses, the Group will need to utilise the funds on hand and raise bank loans to make investments (which is substantial in size relative to the total assets of the Group) in a short period of time for compliance with Rule 13.24 of the Listing Rules so as to warrant the continued listing of the Shares, it is prudent for the Board not to utilise the funds and distribute all the distributable profits before the Proposal and the Scheme become effective.

- (ii) Furthermore, as explained in the sub-section headed "1.3 Outlook of the Group" above, if the Proposal does not become materialise, and the Company is being delisted, information about the Company will become less transparent. Hence, we are of the view that the Proposal offers the Scheme Shareholders an assured opportunity to exit and realise their investments and interests in the Company for cash as opposed to a situation where the Proposal does not materialise and the Company is no longer a listed company, the Scheme Shareholders will remain as shareholders of an unlisted public company, who will encounter difficulty of disposing of their interest in the Shares in an open market and continue to face the uncertainty of when to share the substantial amount of distributable profits of the Company.

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We noted the Group had paid dividend on an annual basis in the consecutively 14 years for the financial years from 2006 to 2019 but no dividend was paid for FY2020. We were advised by the Management that considering (i) the Group recorded a substantial decrease in profit for FY2020 due to the reasons set out in the sub-section headed “1.2 Financial information” above and in line with the stock market performance when the majority of proceeds from operations were generated from securities and trading investment; (ii) the Group’s dividends income from Tomson since 2019 was declining consecutively and, both dividends income from SZMP received and to be received in these years and share of results of SZMP over the past three years substantially decreased as compared to previous years. Given the principal businesses of Tomson and SZMP include property development and investment, which is the same as the Group, the challenges in the future operation environment faced by the Group as mentioned in the sub-section headed “1.3 Outlook of the Group” above will inevitably be encountered by Tomson and SZMP; and (iii) if the Scheme is not effective or the Proposal otherwise lapses, the Group will need to utilise the funds on hand and raise bank loans to make investments (which is substantial in size relative to the total assets of the Group) in a short period of time for compliance with Rule 13.24 of the Listing Rules so as to warrant the continued listing of the Shares, the Board therefore decided not to declare dividend for FY2020. Since the Announcement Date and up to the Latest Practicable Date, the Company has not taken any action to identify investment opportunities. As such, we consider it is acceptable that the Group did not declare dividend for FY2020 (as compared to declaring dividend in FY2019 and FY2018).

Save as disclosed above, it is the intention of the Offeror for the Group to maintain its existing business upon the privatisation of the Company and the Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

3. Reasons for and benefits of the Proposal

As stated in the section headed “10. Reasons for and benefits of the Proposal” set out in the “Explanatory Statement” of the Scheme Document, the reasons for and benefits of the Proposal are summarised as follows:

- (i) Non-compliance with Rule 13.24 of the Listing Rules will lead to trading suspension under Rule 6.01(3) of the Listing Rules, and the Proposal could provide the Scheme Shareholders with an attractive and special opportunity to exit and realise their investments and interests in the Company for cash at the Cancellation Price which is at a premium of approximately 62.50% over the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the last trading day prior to the Offer Period Commencement Date.
- (ii) The liquidity of the Shares has been trading at a relatively low level over the Review Period (as defined below). Such low trading liquidity of Shares renders it is difficult for the Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and hinders the Company’s ability to raise funds from the public equity market, which defeats the purpose of a public listed company when there is no viable channel to raise equity funding for developing the Group’s business.

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- (iii) The withdrawal of listing of the Shares from the Stock Exchange would reduce the costs and management resources associated with the maintenance of the Company's listing status on the Stock Exchange.

We take note of the above reasons for and benefits of the Proposal and analyse them in details below.

In addition, we also wish to highlight the following matters for the Independent Shareholders to consider:

- Independent Shareholders need to strike a balance between (i) retaining a stake in the Group, which as mentioned in the sub-section headed "1.3 Outlook of the Group" above of this letter, if the Proposal does not materialise for whatever reasons, the Stock Exchange will consider an immediate application of the trading suspension requirement of Rule 6.01(3) of the Listing Rules. Accordingly, once trading in the Shares is suspended, it will create further obstacle for the Independent Shareholders to dispose of the Shares; and (ii) receiving immediate cash proceeds from a reasonable Cancellation Price, the amount of which can then be deployed towards other investments.
- Unlike a general offer to acquire all or part of a listed company's shares, the Proposal regarding the proposed privatisation by the Offeror is conducted by way of the Scheme. Independent Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in the Company. Rather, the Proposal and the Scheme will be effective and binding on the Company and all the Scheme Shareholders. As such, Independent Shareholders will either have to accept the Proposal at the Cancellation Price for their entire shareholding interests or not accept the Proposal at all. If the Scheme is not effective 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 the Offeror 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 effective or the Proposal otherwise lapses, announce an offer or possible offer for the Company.

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- As at the Latest Practicable Date, disregard of the interests in the issued Shares held by Cosmos Success which form part of the Scheme Shares, the Offeror and the other Offeror Concert Parties held in aggregate 65.19% of the issued Shares. Unless the Offeror and Offeror Concert Parties agree to, for example, a sale of their stake, it is unlikely that general offers or privatisation offers by other parties, if any, will be successful. As disclosed in the section headed “12. Intentions of the Offeror with regard to the Company” in the “Explanatory Statement” of the Scheme Document, the Offeror intends to maintain the existing business of the Group (saved for the possible termination of the securities trading and investment segment) and pursuant to the Framework Agreement, Zhangjiang Hi-Tech agrees to keep its interests in the Shares through the Rollover Shareholder, hence a sale appears to be unlikely. As such, Independent Shareholders may not have another opportunity in the short to medium term to realise their investment in the Company at the Cancellation Price, after the Scheme fails or the Proposal lapses.

4. The Cancellation Price

As stated in the “Letter from the Board” of the Scheme Document, the Cancellation Price has been determined after taking into account, among others, (i) the financial information of the Group, (ii) the prices at which the Shares were traded on the Stock Exchange, (iii) the trading volumes over the past year, and (iv) pricing premiums for privatisation transactions of companies listed on the Stock Exchange in recent years. In assessing the reasonableness of the Proposal and the Cancellation Price, we have considered the followings:

4.1 Cancellation Price comparison

The Cancellation Price of HK\$0.65 per Scheme Share represents:

- a premium of approximately 62.50% over the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the last trading day prior to the Offer Period Commencement Date;
- a premium of approximately 64.97% over the average closing price of approximately HK\$0.394 per Share based on the daily closing prices as quoted on the Stock Exchange over the five (5) trading days up to and including the last trading day prior to the Offer Period Commencement Date;

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- a premium of approximately 63.59% over the average closing price of approximately HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the thirty (30) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- a premium of approximately 71.13% over the average closing price of approximately HK\$0.380 per Share based on the daily closing prices as quoted on the Stock Exchange over the sixty (60) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- a premium of approximately 63.89% over the average closing price of approximately HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the one hundred and eighty (180) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- a premium of approximately 12.07% over the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 14.04% over the average closing price of approximately HK\$0.570 per Share based on the daily closing prices as quoted on the Stock Exchange over the five (5) trading days up to and including the Last Trading Day;
- a premium of approximately 26.34% over the average closing price of approximately HK\$0.515 per Share based on the daily closing prices as quoted on the Stock Exchange over the thirty (30) trading days up to and including the Last Trading Day;
- a premium of approximately 43.59% over the average closing price of approximately HK\$0.453 per Share based on the daily closing prices as quoted on the Stock Exchange over the sixty (60) trading days up to and including the Last Trading Day;
- a premium of approximately 58.23% over the average closing price of approximately HK\$0.411 per Share based on the daily closing prices as quoted on the Stock Exchange over the one hundred and eighty (180) trading days up to and including the Last Trading Day;
- a premium of approximately 4.84% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 33.13% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.972 per Share as at 31 December 2020, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$2,536.3 million as at 31 December 2020 by 2,608,546,511 Shares in issue as at the Latest Practicable Date;
- a discount of approximately 57.63% to the reassessed consolidated net asset value attributable to the Shareholders of approximately HK\$1.534 per Share, calculated by dividing the reassessed consolidated net asset value attributable to the Shareholders of

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approximately HK\$4,002.7 million by 2,608,546,511 Shares in issue as at the Latest Practicable Date. For details of the reassessed consolidated net asset value attributable to the Shareholders, please refer to the sub-section headed “4.5.1 Unaudited Reassessed NAV” below; and

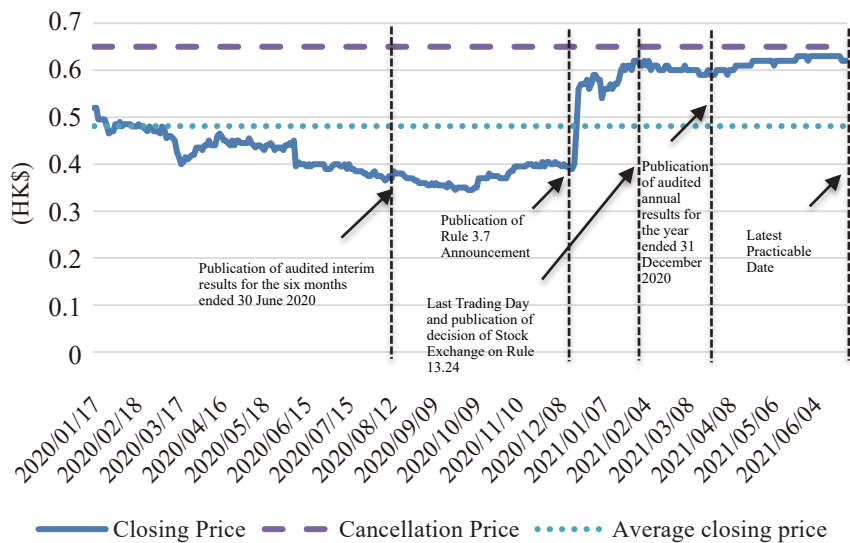
- a discount of approximately 57.12% to the re-reassessed consolidated net asset value attributable to the Shareholders of approximately HK\$1.516 per Share, calculated by dividing the re-reassessed consolidated net asset value attributable to the Shareholders of approximately HK\$3,955.5 million by 2,608,546,511 Shares in issue as at the Latest Practicable Date. For details of the re-reassessed consolidated net asset value attributable to the Shareholders, please refer to the sub-section headed “4.5.1 Unaudited Reassessed NAV” below.

As stated in the “Letter from the Board” of the Scheme Document, the Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

4.2 Analysis of historical Share price movement

4.2.1 Share price analysis and Cancellation Price comparison

The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the period from 17 January 2020 (being one year prior to the Last Trading Day) and up to and including the Latest Practicable Date (the “**Review Period**”).



Source: The Stock Exchange (www.hkex.com.hk)

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Over the Review Period, the highest and lowest closing price of the Shares were HK\$0.630 on each of the trading days during the period from 24 May 2021 to 28 May 2021 and from 1 June 2021 to 22 June 2021, respectively and HK\$0.345 on 23 September 2020, 5 October 2020, 6 October 2020 and 7 October 2020, respectively. The average closing price of the Shares over the Review Period was approximately HK\$0.481.

As illustrated from the graph above, the closing price of the Shares had been trading below the Cancellation Price throughout the Review Period.

Since the beginning of the Review Period and up to 18 March 2020, the date when the Company announced its audited consolidated results for FY2019, the closing price of the Shares had declined from HK\$0.520 on 17 January 2020 to HK\$0.400 on 18 March 2020. The closing price of the Shares gradually climbed to HK\$0.465 on 15 April 2020 and traded within the range of HK\$0.430 to HK\$0.465 until a steep drop on 8 June 2020 to HK\$0.395. Based on public information and our enquiry with the Management, we are not aware of any reasons for such unusual price decrease. Thereafter, the closing price of the Shares continued to decline to the lowest of HK\$0.345 on 23 September 2020. Afterwards, the closing price of the Shares gradually climbed to HK\$0.480 on 17 December 2020 (i.e. the Offer Period Commencement Date).

Following the Offer Period Commencement Date (i.e. 17 December 2020), the closing price of the Shares surged to HK\$0.560 on 18 December 2020. The closing price of the Shares then traded between HK\$0.540 to HK\$0.590 until the Last Trading Day.

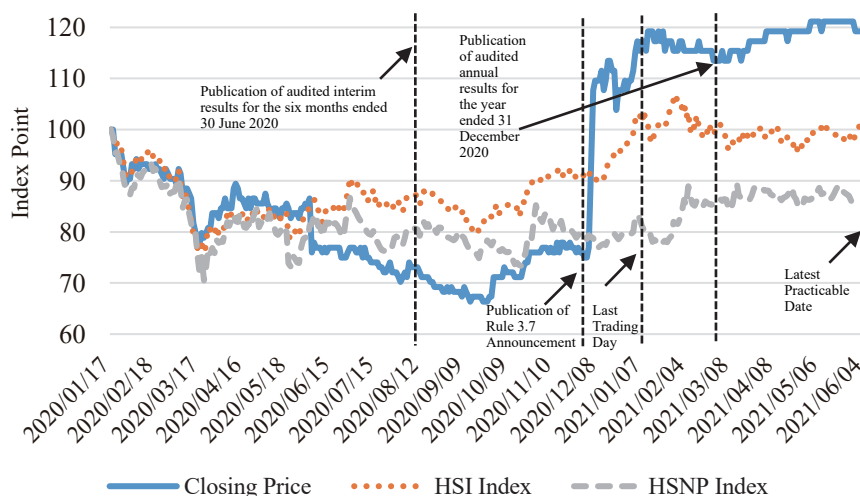
Save as disclosed above, we are not aware of any other announcements of the Company which may be correlated to or give rise to the Share price movements during the Review Period.

Taking into consideration that (i) the Company has recorded a substantial decline in profit for two consecutive financial years (profit after taxation was approximately HK\$177.0 million, HK\$111.9 million and HK\$14.6 million for FY2018, FY2019 and FY2020 respectively); (ii) the Share price has surged since the Offer Period Commencement Date was possibly due to market speculation in relation to the possible privatisation of the Company; (iii) no indication suggested that the current Share price could be sustained by the fundamentals of the Company or concrete business plan(s) despite the economic situation in Shanghai showed a steady recovery as mentioned in the sub-section headed “1.3 Outlook of the Group” above of this letter; and (iv) if the Proposal does not materialise for whatever reasons, there is an actual and imminent risk of facing trading suspension, which if prolonged, may lead to delisting of the Company by the Stock Exchange, we are of the view that the Share price may not sustain at current level in the long term.

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4.2.2 Relative price performance of the Shares against HSI (as defined below) and HSNP (as defined below)

We have also conducted an analysis on the price performance of the Shares as compared to the Hong Kong stock market's trend. The following graph shows the closing price performance of the Shares, and the Hang Seng Index (the "HSI") and the Hang Seng Properties Index (the "HSNP") during the Review Period.



Source: The Stock Exchange website (www.hkex.com.hk)

Note: The closing prices of the Shares, HSI and HSNP have all been rebased to 100 as at 17 January 2020.

As illustrated in the graph above, the closing Share price has been following a general downward trend before the date of the Offer Period Commencement Date. From January 2020 to early June 2020, the closing Share price had been in line with the HSI and HSNP's movement. However, following a steep drop on 8 June 2020 to HK\$0.395, the closing Share price had since then underperformed the HSI and HSNP until the Offer Period Commencement Date.

Following the Offer Period Commencement Date (i.e. 17 December 2020), the Share Price surged and outperformed the Hong Kong stock market. As discussed in the sub-section headed "4.2.1 Share price analysis and Cancellation Price comparison" above, such increase was possibly due to market speculation following the announcement of the proposed privatisation which may not sustain in the future.

Considering (i) the Share price had been following a general downward trend and most of the time underperformed the Hong Kong stock market up until the Offer Period Commencement Date; (ii) the Share price may not sustain at current level in the long-term as explained in the sub-section headed "4.2.1 Share price analysis and Cancellation Price comparison" above; (iii) the Cancellation Price is higher than the closing price of Shares on any of the trading days during the Review Period, we consider the Cancellation Price is fair and reasonable based on our analysis of the historical Share price performance.

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4.3 Discount of the Share price to net asset value attributable to owners of the Company (“NAV”) per Share

The Cancellation Price of HK\$0.65 per Share represents a discount of approximately 33.13% to the NAV per Share of approximately HK\$0.972 as at 31 December 2020. Set out below is a table illustrating the historical average market capitalisation of the Company against the Company’s published net asset value attributable to owners of the Company during the relevant periods:

	Latest published NAV per Share ¹ HK\$	Average closing price of Share ² HK\$	Approximate discount to NAV ³	Approximate discount to Reassessed NAV ⁴	Approximate discount to Re-reassessed NAV ⁵
From 17 January 2020 to 18 March 2020 (i.e. the date the annual results announcement for FY2019 was published)	1.014	0.474	52.05%	69.11%	68.74%
From 19 March 2020 to 18 August 2020 (i.e. the date the interim results announcement for the six months ended 30 June 2020 was published)	0.989	0.415	58.07%	72.95%	72.63%
From 19 August 2020 to 17 December 2020 (i.e. the Offer Period Commencement Date)	0.921	0.376	59.14%	75.50%	75.20%
From 18 December 2020 to 12 March 2021 (i.e. the date the annual results announcement for FY2020 was published)	0.921	0.593	35.58%	61.35%	60.89%
From 13 March 2021 to the Latest Practicable Date (up to the Latest Practicable Date)	0.972	0.616 ⁶	36.69% ⁶	59.86%	59.38%

Source: The Stock Exchange (www.hkex.com.hk)

Notes:

1. The audited and unaudited consolidated net asset value attributable to owners of the Company as at the respective year/period end date were extracted from the respective annual/interim reports published by the Company.
2. Represents the average market capitalisation of the Company during the period from the trading day following the publication by the Company of its audited annual results or unaudited interim results (as the case may be) to the trading day on which the subsequent unaudited interim results or audited annual results (as the case may be) were published.
3. Represents the discount of the average market capitalisation to the net asset value attributable to equity holders as at the respective year/period end date.
4. Represents the discount of the average market capitalisation to the reassessed net asset value attributable to equity holders (for details, please refer to the sub-section headed “4.5.1 Unaudited Reassessed NAV” below) as at the respective year/period end date.

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5. Represents the discount of the average market capitalisation to the re-assessed net asset value attributable to equity holders (for details, please refer to the sub-section headed “4.5.1 Unaudited Reassessed NAV” below) as at the respective year/period end date.
6. Represents the average market capitalisation during the period from 13 March 2021, being the trading day following the publication by the Company of its audited 2020 annual results, to the Latest Practicable Date.

Whilst we noted that the Cancellation Price represented a discount of approximately 33.13% to the NAV per Share of approximately HK\$0.972 as at 31 December 2020, the closing Share price had been trading at a steeper discount to the NAV per Share (ranging between 35.58% and 59.14%) during the Review Period and had been trading below the Cancellation Price throughout the Review Period. In addition, we also noted that (i) the Cancellation Price represents a discount of approximately 57.63% to the Reassessed NAV (as defined in the sub-section headed “4.5.1 Unaudited Reassessed NAV” below) per Share as at 31 December 2020 of approximately HK\$1.534; (ii) the Cancellation Price represents a discount of approximately 57.12% to the Re-Reassessed NAV (as defined in the sub-section headed “4.5.1 Unaudited Reassessed NAV” below) of approximately HK\$1.516 per Share; and (iii) the closing Share price had been trading at even steeper discount to the Reassessed NAV per Share and Re-reassessed NAV per Share, ranging between 59.38% and 75.50%, during the Review Period.

Although the discount represented by the closing Share price as compared to the NAV per Share had narrowed to 35.58% and 36.69% for the period from 18 December 2020 to 12 March 2021 and the period between 13 March 2021 and the Latest Practicable Date respectively, which is close to the 33.13% discount represented by the Cancellation Price as compared to the NAV per Share, we have expressed our view in the sub-section headed “4.2.1 Share price analysis and Cancellation Price comparison” above that the recent spike on the Share price may not sustain in the long run.

We noted that approximately 98.5% of the Group’s gross proceeds from operations were generated from the securities trading and investment segment and only approximately 1.5% were generated from the property development and investment segment in FY2020. Independent Shareholders should note that given SZMP is accounted for as an associate company of the Group, the Group does not consolidate the revenue of SZMP in its financial statements even though the historical revenues of SZMP have been significant.

Nonetheless, as further elaborated in the sub-section headed “4.5 Unaudited Reassessed NAV and reasons for not identifying suitable and direct comparables” below, we also noted that (i) proceeds from securities trading had been volatile; (ii) a large part of the Group’s property development and investment business was carried out through SZMP, an associate of the Group; and (iii) the Stock Exchange has expressed its view that the securities trading and investment business is not categorised as the core business of the Group.

Hence, we consider that in addition to the value of the Group’s financial assets (which are marked to market at the relevant accounting dates), the underlying book-value of the Group’s property holdings and investment is also a relevant and important metric that reflects a property company’s earnings capacity and its underlying value as the book value of the properties are by reference to the cost of acquiring the land, cost of constructing the properties or the fair value of the properties (as the case may be). Hence, we consider an analysis on the NAV per Share as compared to the Cancellation Price allowing us to formulate our view on the fairness and reasonableness of the Cancellation Price.

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For illustration purpose, as at 31 December 2020, the Group's liquid and marketable assets (including cash and bank balances and listed securities held for trading amounted to approximately HK\$1,004.4 million and HK\$225.9 million respectively) amounted to approximately HK\$1,230.3 million, which was equivalent to approximately HK\$0.472 per Share.

As at 31 December 2020, other major assets of the Group, including the Investment Property (as defined below), the interests in SZMP and long-term equity investment of the Group (mainly investment in Tomson), amounted to approximately HK\$1,309.5 million, which is equivalent to approximately HK\$0.502 per Share. Taking into consideration the revaluation surplus of the Investment Property and revaluation surplus of SZMP with reference to the Valuation Report (as defined below), the value of the other major assets amounted to approximately HK\$2,715.6 million, which was equivalent to approximately HK\$1.041 per Share.

Despite the Cancellation Price represented a discount of approximately 33.13% to the NAV per Share of approximately HK\$0.972 as at 31 December 2020, considering (i) the Cancellation Price of HK\$0.65 per Share covers the full value of the liquid and marketable assets of the Group of approximately HK\$0.472 per Share; (ii) the closing Share price had been trading at a steeper discount to the NAV per Share (ranging between 35.58% to 59.14%) during the Review Period; (iii) the closing Share price had been trading at an even steeper discount to the Reassessed NAV per Share and Re-reassessed NAV per Share (ranging between 59.38% and 75.50%) during the Review Period; and (iv) the Group intends to hold the other major assets of the Group for long term and has no intention to realise such other major assets into cash (save for the SZMP Transfer due to the reasons set out in the sub-section headed "1. Reasons for and benefits of the Rollover Arrangement" under section headed "Principal factors and reasons considered for the Special Deals" above), which if there is no Proposal, the Independent Shareholders will not have an assured opportunity to realise some value of the other major assets of the Group, from a NAV per Share standpoint, we consider that the Cancellation Price is fair and reasonable.

4.4 Historical trading liquidity of the Shares

Apart from the Share price analysis, we have conducted a review on the trading liquidity of the Shares. The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by Independent Shareholders.

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	Average daily trading volume	Approximate% of average daily trading volume to total issued Shares ¹	Approximate% of average daily trading volume to Shares held by Independent Shareholders ²
2020			
17 to 31 January	1,267,091	0.049%	0.194%
February	226,300	0.009%	0.035%
March	991,656	0.038%	0.152%
April	319,755	0.012%	0.049%
May	546,267	0.021%	0.084%
June	549,333	0.021%	0.084%
July	502,884	0.019%	0.077%
August	435,524	0.017%	0.067%
September	503,273	0.019%	0.077%
October	362,667	0.014%	0.056%
November	409,333	0.016%	0.063%
1 to 17 December	986,462	0.038%	0.151%
17 December (Offer Period Commencement Date)			
18 to 31 December	7,082,594	0.272%	1.086%
2021			
1 to 18 January	3,316,909	0.127%	0.508%
18 January (Date of the Announcement)			
19 to 31 January	11,960,667	0.459%	1.833%
February	2,569,500	0.099%	0.394%
March	968,353	0.037%	0.148%
April	1,616,842	0.062%	0.248%
May	764,900	0.029%	0.117%
June (up to the Latest Practicable Date)	606,778	0.023%	0.093%
Average	1,292,395	0.050%	0.198%

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. Based on the total number of issued Shares as at each month or period end.
2. Based on the total number of issued Shares as at each month or period end minus the Shares held by the Offeror and the Offeror Concert Parties as at the Latest Practicable Date.

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As illustrated in the above table, during the Review Period and up to the last trading day prior to the Offer Period Commencement Date (not taking into account the abnormally high trading liquidity after the Offer Period Commencement Date which was possibly due to the market speculation in relation to the possible privatisation of the Company), the liquidity of Shares was generally low with the percentage of the average daily trading volume to the total number of issued Shares ranging from approximately 0.009% to 0.049%, and from approximately 0.035% to 0.194% if the Shares held by the Offeror and the Offeror Concert Parties are excluded.

Overall, the average daily trading volume of the Shares during the Review Period was approximately 1.29 million Shares, representing approximately 0.050% and 0.198% of the total number of issued Shares and Shares held by Independent Shareholders respectively.

Given the above, we consider that the trading volume of the Shares was thin and any sale of a significant number of the Shares on the market may exert downward pressure on the market price of the Shares.

Independent Shareholders should note that, as mentioned in the section headed “3. Reasons for and benefits of the Proposal” above, in the event which the Scheme is not effective or the Proposal lapses, (i) neither the Offeror nor any person who acted in concert with the Offeror may announce an offer or possible offer for the Company within 12 months and (ii) the Stock Exchange will consider an immediate application of the trading suspension requirement of Rule 6.01(3) of the Listing Rules. As such, in lieu of the Scheme, Independent Shareholders may only dispose of their Shares on-market. Considering the trading volume of the Shares was thin, Independent Shareholders may experience difficulty in disposing of their Shares and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of the Shares. In addition, once trading in the Shares is suspended, it will create further obstacle for the Independent Shareholders to dispose of their Shares.

From a trading liquidity standpoint, we consider that the Scheme provides an assured exit alternative for the Scheme Shareholders to realise their investments in the Shares at the Cancellation Price of HK\$0.65 per Scheme Share, which is fair and reasonable.

4.5 Unaudited Reassessed NAV and reasons for not identifying suitable and direct comparables

4.5.1 Unaudited Reassessed NAV

Total assets of the Group were approximately HK\$2,580.1 million as at 31 December 2020, of which approximately HK\$1,004.4 million was cash and bank balances (representing approximately 38.93%), approximately HK\$796.5 million was investment in an associate (representing approximately 30.87%) and approximately HK\$28.6 million was investment property (representing approximately 1.11%).

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The associate is SZMP, in which the Group holds approximately 37.020% interests in its registered capital as at the Latest Practicable Date. Pursuant to the Framework Agreement, a valuation on SZMP as at 31 March 2021 was conducted by Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司) (the “**Valuer**”), a valuation firm as approved by the State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, the PRC. The valuation report on SZMP (the “**Valuation Report**”) prepared by the Valuer is set out in Appendix II to the Scheme Document.

The investment property is attributable to the land in Macau in which the Group holds 60% interests (the “**Investment Property**”). Given the Investment Property has not been developed and any development plan needs the support and cooperation from the individuals holding in aggregate 40% interests in the Investment Property as well as the approvals from various government departments in Macau, as elaborated in the sub-section headed “1.3 Outlook of the Group” above, the value of the Investment Property was recorded at cost in the consolidated financial statements of the Group. With reference to the 2020 Annual Report of the Company, the fair value of the Investment Property was approximately HK\$647.0 million as at 31 December 2020 according to the valuation carried out by an independent valuer.

For illustration purposes, the NAV of the Group as at 31 December 2020 is reassessed based on (i) the fair value of the Investment Property as at 31 December 2020; (ii) the valuation of SZMP as at 31 March 2021 (the “**Reassessed NAV**”); and (iii) the receipt of the cash dividend of approximately RMB50.3 million (equivalent to approximately HK\$60.3 million converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) from SZMP. Set out in the table below is the calculation of the Reassessed NAV per Share as at 31 December 2020.

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Calculation of Reassessed NAV per Share

1. Revaluation surplus of the Investment Property

Fair value of the Investment Property in Macau as at 31 December 2020	HK\$647.0 million
Less: Book value of the Investment Property in Macau as at 31 December 2020	<u>(HK\$28.6 million)</u>
Fair value gain on the Investment Property in Macau (<i>Note 1</i>)	HK\$618.4 million
Less: Deferred taxation related to fair value gain	<u>(HK\$74.2 million)</u>
Less: Non-controlling interest (<i>Note 2</i>)	<u>HK\$544.2 million</u> <u>(HK\$217.7 million)</u>
Revaluation surplus of the Investment Property in Macau	<u><u>HK\$326.5 million</u></u>

2. Revaluation surplus of SZMP

Equity value of SZMP as at 31 March 2021 (<i>Note 3</i>)	RMB4,227.2 million
Percentage interest in SZMP held by the Group	37.020%
Equity value of SZMP as at 31 March 2021 attributable to the Group in RMB (<i>Note 4</i>)	RMB1,564.9 million
Equity value of SZMP as at 31 March 2021 attributable to the Group in HK\$ (<i>Note 5</i>)	HK\$1,876.1 million
Less: Carrying amount of interest in SZMP as at 31 December 2020 (<i>Note 6</i>)	<u>(HK\$796.5 million)</u>
Revaluation surplus of SZMP	<u><u>HK\$1,079.6 million</u></u>

3. Cash dividend from SZMP

Add: Cash dividend from SZMP	HK\$63.5 million
Less: 5% Withholding tax for the dividend	<u>(HK\$3.2 million)</u>
Cash received from dividend from SZMP	<u><u>HK\$60.3 million</u></u>

4. Reassessed NAV per Share

NAV as at 31 December 2020 (<i>Note 6</i>)	HK\$2,536.3 million
Add: Revaluation surplus of the Investment Property in Macau	HK\$326.5 million
Add: Cash received from dividend from SZMP	HK\$60.3 million
Add: Revaluation surplus of SZMP	<u>HK\$1,079.6 million</u>
Reassessed NAV as at 31 December 2020	<u><u>HK\$4,002.7 million</u></u>
Reassessed NAV per Share as at 31 December 2020 (<i>Note 7</i>)	<u><u>HK\$1.534</u></u>

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Notes:

1. The fair value gain on the Investment Property is calculated based on the fair value of the Investment Property of approximately HK\$647.0 million as at 31 December 2020 and the book value of the Investment Property of approximately HK\$28.6 million as at 31 December 2020.
2. The Group holds 60% interests in the Investment Property in Macau.
3. Equity value of SZMP as at 31 March 2021 is extracted from the valuation report on SZMP prepared by the Valuer set out in Appendix II to the Scheme Document.
4. By multiplying equity value of SZMP as at 31 March 2021 with the percentage interest in SZMP held by the Group to derive such value.
5. For illustration purpose, such amount is converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date.
6. Such amount is extracted from the audited consolidated statement of financial position as at 31 December 2020 set out in the 2020 Annual Report.
7. Reassessed NAV per Share as at 31 December 2020 is calculated by dividing the reassessed NAV of approximately HK\$4,002.7 million by 2,608,546,511 Shares in issue as at the Latest Practicable Date.

The Cancellation Price represents a discount of approximately 57.63% to the Reassessed NAV per Share as at 31 December 2020 of approximately HK\$1.534. By itself, as we noted that the Share price had been trading at a discount to the NAV per Share ranging between 35.58% and 59.14% during the Review Period and below the Cancellation Price during the Review Period, we are of the view that the discount of approximately 57.63% is fair and reasonable as described in the sub-section headed “4.3 Discount of the Share price to NAV per Share” above.

The audited net asset value of SZMP as at 31 March 2021 had already accounted for dividends payable amounting to RMB143 million (equivalent to approximately HK\$171.5 million converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose), (as described in the valuation report on page II-6 of the Scheme Document, representing the dividends declared payable to the shareholders in 2021, of which approximately RMB50.3 million (equivalent to approximately HK\$60.3 million converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) is the amount expected to be received by the Group in 2021 after deducting 5% withholding tax). Given that such amount of dividends had already been accounted for in the equity value of SZMP, the equity value of SZMP as at 31 March 2021 (as shown in sub-section “2.3 The consideration for the SZMP Transfer” under the section headed “Principal factors and reasons considered for the Special Deals” of this letter) would not be affected by the payment of such dividend as described in the sub-section headed “Information of SZMP” in the “Letter from the Board” of the Scheme Document, and in turn would not affect the revaluation surplus of SZMP and the Reassessed NAV per Share as at 31 December 2020 as described above.

For illustration purposes, the Reassessed NAV of the Group as at 31 December 2020 is reassessed based on (i) the Proposal and the Scheme become effective, but the number of Shares in issue remained at 2,608,546,511 (that is the number of Shares in issue as at the Latest Practicable Date); and (ii) the completion of the SZMP Transfer (the “**Re-Reassessed NAV**”). Set out in the table below is the calculation of the Re-Reassessed NAV per Share as at 31 December 2020.

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Calculation of Re-Reassessed NAV per Share

5. *Re-Reassessed NAV per Share*

Reassessed NAV as at 31 December 2020	HK\$4,002.7 million
Less: Sale of 10.503% equity value of SZMP as at 31 March 2021 (<i>Note 1</i>)	HK\$532.3 million
Add: Cash consideration for the SZMP Transfer	HK\$532.3 million
Less: 10% Income tax payable for the SZMP Transfer (<i>Note 2</i>)	HK\$47.2 million
	<hr/>
Re-Reassessed NAV as at 31 December 2020	HK\$3,955.5 million
	<hr/>
Re-Reassessed NAV per Share as at 31 December 2020 (<i>Note 3</i>)	HK\$1.516
	<hr/>

Notes:

1. Equity value of SZMP as at 31 March 2021 is extracted from the valuation report on SZMP prepared by the Valuer set out in Appendix II to the Scheme Document.
2. The income tax payable of approximately HK\$47.2 million is calculated based on (i) the difference in cash consideration for the SZMP Transfer of approximately HK\$532.3 million and the investment cost of approximately HK\$60.8 million of SZMP; and (ii) income tax of 10% on the difference.
3. Re-Reassessed NAV per Share as at 31 December 2020 is calculated by dividing the Re-Reassessed NAV of approximately HK\$3,955.5 million by 2,608,546,511 Shares in issue as at the Latest Practicable Date.
4. For illustration purpose, the above amounts are converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date.

The Cancellation Price represents a discount of approximately 57.12% to the Re-Reassessed consolidated NAV of approximately HK\$1.516 per Share, calculated by dividing the Re-Reassessed consolidated NAV of approximately HK\$3,955.5 million by 2,608,546,511 Shares in issue as at the Latest Practicable Date. By itself, as we noted that the Share price had been trading at a discount to the NAV per Share ranging between 35.58% and 59.14% during the Review Period and below the Cancellation Price during the Review Period, we are of the view that the discount of approximately 57.12% is fair and reasonable as described in the sub-section headed “4.3 Discount of the Share price to NAV per Share” above.

Shareholders should note that (i) distribution of profits/dividends payments by the Company is an arrangement between the Shareholders after the Scheme becoming effective which concerns distribution of profits at the Company level; (ii) the consideration for the SZMP Transfer and the cash dividend from SZMP will be received by Advance Investments, an indirect wholly-owned subsidiary of the Company; and (iii) Advance Investments will assess its cash and financial situation and consider whether to declare any distribution to its shareholder. The Company can only declare dividend out of the retained profits at the Company level and any dividend payment is subject to cash available. These requirements have not been and cannot be changed. In the past, the Board will consider, among other factors, the consolidated financial results, the liquidity position, the business plan and the capital and investment requirements of the Group when recommending dividend payment. Advance Investments did not declare dividend every year and considered its cash and financial situation whenever making dividend payment. The last dividend payment was an interim dividend for 2017 paid in the third quarter of 2017. Hence, the

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consideration for SZMP Transfer and the cash dividend to be received from SZMP may not be distributed up from Advance Investments to the Company, and in turn, further distribute to the Shareholders immediately after the Effective Date. We, therefore, concur with the Company that the amount to be distributed to the Shareholders from the distributable profits of the Company after the Effective Date may or may not include the consideration for the SZMP Transfer and the cash dividend to be received from SZMP.

4.5.2 Reasons for not identifying suitable and direct comparables

The Group is principally engaged in property development and investment in Shanghai as well as securities trading and investment in Hong Kong.

Although a significant portion (approximately 98.5%) of the Group's gross proceeds from operations was generated from securities trading and investment in Hong Kong in FY2020, the segment performance was volatile during the past three years (FY2020: segment loss of approximately HK\$28.8 million; FY2019: segment profit of approximately HK\$59.3 million; and FY2018: segment profit of approximately HK\$107.5 million).

However, according to the Decision, the securities trading and investment business is not taken into consideration whether the Company has sufficient level of operations and assets of sufficient value under the Listing Rules to warrant the continued listing of the Shares. Although the Company has different point of views on the Decision, the objective of the amended Rule 13.24 of the Listing Rules is stated in the Guidance Letter issued by the Stock Exchange on Guidance on sufficiency of operations (GL106-19) which provides a general guideline for listed issuers and market practitioners to make reference. We therefore follow the Listing Rules and the interpretation of the Guidance Letter that the securities trading and investment business is not categorised as the core business of the Group.

Although the Group has participated through Advance Investments (a wholly-owned subsidiary of the Company) in the business development of SZMP which is engaged in property development and investment, it has not undertaken any new property projects directly for over 14 years and it only has an interest in investment property in Macau with no material progress for over ten years.

Given the exceptional circumstances regarding the Group's principal businesses including (i) the securities trading and investment business, is of volatile business nature, which cannot be categorised as a core business according to the Decision; (ii) a large part of the Group's property development and investment business was carried out through SZMP, an associate of the Group; and (iii) the Stock Exchange has decided that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares, we are of the view that there is no suitable and direct comparable companies listed on the Stock Exchange available for us to conduct a comparable analysis for assessing the fairness and reasonableness of the Cancellation Price.

Nonetheless, we are of the view that Independent Shareholders should take into account (i) reasons for and benefits of the Proposal and the Scheme; (ii) the historical Share price movement, in particular, the Share price may not sustain at current level in the long run; (iii) the historical discount of Share price to NAV; and (iv) the historical liquidity of the Share as a whole when considering the Cancellation Price and the Proposal.

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4.6 Privatisation precedents

We are of the view that past privatisation transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Cancellation Price considering these companies may be from different industries, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Scheme Shareholders.

5. Section summary

In summary, taking into account that:

- (i) the Decision is final and the Company is facing an actual and imminent risk of trading suspension of the Shares, which if prolonged, may lead to delisting of the Company by the Stock Exchange;
- (ii) in the event that the Proposal does not materialise, and the listing status of the Company is cancelled, all the Shareholders will be holding the Shares of an unlisted public company, where trading of the Shares will no longer be easily accessible and no information transparency as compared to the platform offered by the Stock Exchange; but the Scheme provides an assured exit alternative for the Scheme Shareholders to realise their investments in the Shares without transaction costs especially when the trading liquidity of the Shares is thin;
- (iii) despite the fact that there is a steady recovery to the economic conditions in Shanghai and the Group has recorded an increase in the share of profit from SZMP in FY2020 as compared to FY2019, there are issues in the business and operation environment faced by the Group as mentioned in the sub-section headed “1.3 Outlook of the Group” above;
- (iv) the Company is and will continue to be left with a high level of distributable profits after the Proposal and the Scheme become effective, but the rights of the Scheme Shareholders to share such distributable profits have not been deprived of irrespective of the existence of the Proposal as set out in the sub-section headed “2.2 The Offeror’s intention in relation to the Company” above;
- (v) the Cancellation Price is higher than the closing price of Shares on any of the trading days during the Review Period. Despite there has been a surge in Share price since the Offer Period Commencement Date, we are of the view that the Share price may not sustain at current level by the fundamentals of the Group in the long term;
- (vi) despite the Cancellation Price represented a discount of approximately 33.13% to the NAV per Share of approximately HK\$0.972 as at 31 December 2020, considering (i) the Cancellation Price of HK\$0.65 per Share covers the full value of the liquid and marketable assets of the Group of approximately HK\$0.472 per Share; (ii) the closing Share price had been trading at a steeper discount to the NAV per Share (ranging between 35.58% to 59.14%) during the Review Period; (iii) the closing Share price had been trading at an even

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steeper discount to the Reassessed NAV per Share and Re-reassessed NAV per Share (ranging between 59.38% and 75.50%) during the Review Period; and (iv) the Group intends to hold the other major assets of the Group for long term and has no intention to realise such other major assets into cash (save for the SZMP Transfer due to the reasons set out in the sub-section headed “1. Reasons for and benefits of the Rollover Arrangement” under the section headed “Principal factors and reasons considered for the Special Deals” below), which if there is no Proposal, the Independent Shareholders will not have an assured opportunity to realise some value of the other major assets of the Group, from a NAV per Share standpoint, we consider that the Cancellation Price is fair and reasonable;

- (vii) in view of the thin trading volume, Independent Shareholders may experience difficulty in disposing their Shares and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of the Shares; the Scheme provides an assured exit alternative for the Scheme Shareholders to realise their investments in the Shares at the Cancellation Price; and
- (viii) though there is no suitable and direct comparable companies available for conducting a comparable analysis for assessing the fairness and reasonableness of the Cancellation Price, we are of the view that Independent Shareholders should take into account (a) the reasons for and benefits of the Proposal and the Scheme, in particular the risk of trading suspension of the Shares and the delisting of the Company; (b) the historical Share price movement, in particular, the Share price may not sustain at current level in the long run; (c) the historical discount of Share price to NAV per Share; and (d) the historical liquidity of the Shares as a whole when considering the Cancellation Price and the Proposal,

we are of the view that the terms of the Proposal and the Scheme are fair and reasonable so far as the Scheme Shareholders are concerned as it provides an opportunity for the Scheme Shareholders to exit at an assured price as compared to holding on the Shares and exposing themselves to the risks as mentioned above, and the Independent Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting and the special resolution(s) to approve the implementation of the Scheme at the General Meeting.

PRINCIPAL TERMS OF THE SPECIAL DEALS

1. The Rollover Agreement

On 18 January 2021 (after trading hours), the Offeror and the Rollover Shareholder entered into the Rollover Agreement pursuant to which the parties agreed that the Rollover Shareholder shall retain its shareholding in the Company and remain as a Shareholder after the Scheme becoming effective. For details of the Rollover Agreement, please refer to the section headed “Special Deals relating to Rollover Agreement and Framework Agreement” in the “Letter from the Board” of the Scheme Document.

The Rollover Agreement shall be terminated upon the Proposal lapses or the Offeror terminates, withdraws or repeals the Proposal or the High Court rejects the Scheme.

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2. The Framework Agreement

On 18 January 2021 (after trading hours), the Offeror and Zhangjiang Hi-Tech entered into the Framework Agreement pursuant to which the parties agreed that the Offeror and Zhangjiang Hi-Tech shall enter into the Shareholders' Agreement with the Company within 10 Working Days after the withdrawal of listing of the Shares from the Stock Exchange. In addition, the Offeror and Zhangjiang Hi-Tech shall procure the board of SZMP to conduct a valuation on SZMP and shall ensure Advance Investments to sell part of the interests in SZMP held by it (representing approximately 10.503% interests in the registered capital of SZMP) to Zhangjiang Hi-Tech after the Effective Date at a price with reference to the valuation. Advance Investments and Zhangjiang Hi-Tech shall negotiate in good faith and enter into a sale and purchase agreement within 60 days (or such other time as the parties may agree in writing) after the Effective Date or the Proposal having lapsed or not becoming unconditional, subject to all necessary approvals required under the Listing Rules, the Takeovers Code and applicable laws and regulations in respect of the SZMP Transfer having been obtained. For details of the Framework Agreement, please refer to the section headed "Special Deals relating to Rollover Agreement and Framework Agreement" in the "Letter from the Board" of the Scheme Document.

SZMP is held as to approximately 37.020% by Advance Investments (an indirect wholly-owned subsidiary of the Company), approximately 49.497% by Zhangjiang Hi-Tech and approximately 13.483% by an indirect wholly-owned subsidiary of Tomson. Upon completion of the SZMP Transfer, Advance Investments will hold approximately 26.517% of SZMP, Zhangjiang Hi-Tech will hold approximately 60.000% of SZMP and an indirect wholly-owned subsidiary of Tomson will continue to hold approximately 13.483% of SZMP. Hence, SZMP will remain as an associate of the Company and will become a 60%-owned subsidiary of Zhangjiang Hi-Tech. The detailed shareholding structure of the Company and SZMP is set out in the section headed "9. Shareholding Structure of the Company" in the "Explanatory Statement" of the Scheme Document.

The Framework Agreement is legally binding immediately upon signing and shall terminate when the Proposal shall lapse or not become unconditional.

3. Condition relating to the Special Deals

The Rollover Agreement was only entered into by and between the Offeror and the Rollover Shareholder and the Framework Agreement was only entered into between the Offeror and Zhangjiang Hi-Tech. As the Rollover Arrangement and the proposed arrangements contemplated under the Framework Agreement are not offered to all Shareholders, the Rollover Arrangement and the SZMP Transfer contemplated under the Framework Agreement constitute special deals and require the consent of the Executive under Rule 25 of the Takeovers Code.

The Offeror has made an application for consent from the Executive to the Special Deals conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals.

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Accordingly, the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals; and (iii) the grant of consent from the Executive in respect of the Special Deals.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SPECIAL DEALS

1. Reasons for and benefits of the Rollover Arrangement

Zhangjiang Hi-Tech is a company listed on the Shanghai Stock Exchange (stock code: 600895), which is principally engaged in property development and investment in the PRC. The Rollover Shareholder is an indirect wholly-owned subsidiary of Zhangjiang Hi-Tech and is principally engaged in investment holding. As at the Latest Practicable Date, the Rollover Shareholder held 779,955,407 issued Shares, representing approximately 29.90% of the total issued Shares.

As at the Latest Practicable Date, SZMP is held as to approximately 37.020% by Advance Investments, approximately 49.497% by Zhangjiang Hi-Tech and approximately 13.483% by an indirect wholly-owned subsidiary of Tomson.

As disclosed in the 2020 Annual Report, for FY2020, SZMP recorded a net profit of approximately HK\$145.5 million (FY2019: approximately HK\$123.8 million) and the Group shared a profit of approximately HK\$53.8 million (FY2019: approximately HK\$45.8 million). The Group also received net dividends in the amount of approximately HK\$40.3 million in 2020 (2019: approximately HK\$44.9 million). The Group is expected to receive net dividends in the amount of approximately RMB50.3 million (equivalent to approximately HK\$60.3 million converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) from SZMP in the second half of 2021. The carrying amount of the interest in SZMP of approximately HK\$796.5 million (2019: approximately HK\$739.3 million) represented approximately 30.87% (2019: approximately 28.19%) of the Group's total assets as at 31 December 2020. As shown in the sub-section headed "1.2 Financial information" under the section headed "Principal factors and reasons considered for the Proposal" of this letter, the results of SZMP have been the major source of profit of the Group and SZMP has contributed a significant amount of dividend to the Group in the three years ended 31 December 2020.

Although it was agreed in the Framework Agreement that, save for retaining HK\$50 million as the working capital of the Company, if the Company has any distributable profits or dividends, the Company shall distribute the same to the Shareholders in proportion to their respective shareholdings in the Company after the Effective Date, there is no agreed timeline for such distribution. There were distributable reserves of HK\$855,278,000 on the books of the Company as at 31 December 2020, but the actual amount to be distributed to the Shareholders from the distributable profits of the Company after the Effective Date will be subject to the financial conditions of the Company such as the available cash at the relevant time when the Company determines the distribution. Subject to the Shareholders' Agreement to be entered into after the withdrawal of listing of the Shares if the Scheme becomes effective, the Company will consider dividend payment on or before 31 May every year. The Group had paid dividend on an annual basis in consecutively 14 financial years from 2006 to 2019 but no dividend was paid for

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the financial year ended 31 December 2020. In addition, the consideration for the SZMP Transfer (in case that the SZMP Transfer is approved by the Independent Shareholders) and dividends from SZMP to be received by Advance Investments (an indirect wholly-owned subsidiary of the Company) may not be distributed up from the Advance Investments to the Company, and in turn, further distribute to the Shareholders immediately after the Effective Date. Advance Investments will assess its cash, financial situation and cost (including additional withholding tax liabilities under the rules and regulations of the tax authorities of the PRC in case of distributing the dividends received from SZMP to its shareholders within one year from the receipt of the dividends) and consider whether to declare any distribution to its shareholders. Advance Investments did not declare dividend every year and the last dividend payment was an interim dividend for 2017 paid in the third quarter of 2017. Hence, the Scheme Shareholders should note that the distributable profits of the Company will not necessarily be increased due to the reasons explained above immediately after the Proposal becomes effective and they have foregone the opportunity to share the distributable profits of the Company going forward if the Proposal and the Scheme become effective. The Scheme Shareholders are also advised to take note of our views in this respect set out under the sub-section headed “2.2 The Offeror’s intention in relation to the Company” under the section headed “Principal factors and reasons considered for the Proposal” above.

The Rollover Agreement in effect will enable the Rollover Shareholder to retain their shareholdings in the Company. In particular, in view of the long-term cooperation with Zhangjiang Hi-Tech and as Zhangjiang Hi-Tech and the Company (through its indirect wholly-owned subsidiary) will continue to be shareholders of SZMP, the Offeror considers that it would be beneficial to allow the Rollover Shareholder, being a wholly-owned subsidiary of Zhangjiang Hi-Tech, to retain its shareholding in the Company after the Scheme becoming effective. Zhangjiang Hi-Tech also agrees to keep its interests in the Shares through the Rollover Shareholder. During the discussion of the Rollover Arrangement, Zhangjiang Hi-Tech also expressed its preference towards having the SZMP Transfer (irrespective of whether the Scheme shall become effective or not) as it intended to further develop the business of SZMP and the SZMP Transfer will facilitate such purpose. If the Offeror refuses to propose the SZMP Transfer, the Rollover Shareholder will not proceed with the Rollover Agreement. Without the support of the Rollover Shareholder, the Offeror is not able to put forward the Proposal and the Scheme. From the perspective of the Company, the implementation of the SZMP Transfer would allow the Group to realise approximately 10.503% interests in the registered capital of SZMP based on the independent valuation on SZMP (which will result in a gain on disposal of approximately HK\$259.0 million (equivalent amount converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose)), thereby sheltering the Group from any future business risk or downside that may be suffered by SZMP, irrespective of the outcome of the Proposal, and still retaining a significant interest in and continuing to account for its investment in SZMP as an associated company. The cash received by the Group is approximately HK\$485.1 million (equivalent amount converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose), which may not be available for distribution to the Shareholders immediately after the Effective Date.

Given the purpose of the Rollover Arrangement is to retain the Rollover Shareholder as a Shareholder after the Scheme becomes effective and the Rollover Shareholder constitutes a key business partner of the Group, without the Rollover Shareholder remaining as Shareholder after completion of the Proposal and the Scheme, the Offeror may not put forward the Proposal and the Scheme Shareholders would not be able to benefit from the Scheme.

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Putting matters in perspective, the Independent Shareholders should note that if the Scheme becomes effective, they shall not be participating in any future benefits that the Company may derive from the arrangements under the Rollover Agreement. On the other hand, the implementation of the SZMP Transfer is based on an up-to-date independent valuation (as explained in the sub-section headed “2.3 The consideration of the SZMP Transfer” below), which would allow the Group to realize the full appraised value attributable to the approximately 10.503% interest in SZMP, thereby sheltering the Group from any future business risk or downside that may impact upon SZMP, whether or not the Proposal may become effective.

While the Rollover Shareholder gets the opportunity to retain its shareholding in the Company after the successful implementation of the Proposal, it shall have to assume the potential risks of holding its then unlisted shareholding in the Company and the market liquidity and the regulatory protections that publicly listed company shareholders normally would enjoy.

It should also be noted that the Independent Shareholders do not have the Rollover Shareholder’s fuller knowledge of the Group’s operations, particularly in SZMP, which comes from the business cooperation with the Group through its ultimate holding company, Zhangjiang Hi-Tech. Without the Rollover Agreement, the Offeror would not be able to offer the Proposal for consideration by the Scheme Shareholders, and thereby offering the Scheme shareholders a unique window to exit their investments in the Company. Given the afore-mentioned commercial reasons in relation to the future development of SZMP that support the SZMP Transfer (which form part of the Special Deals) and the prospect of the Rollover Shareholder to accelerate the business development of SZMP as set out in the sub-section headed “2.1 About SZMP” below, Independent Shareholders should appraise the Special Deals on its own merit separately from their voting decision on the Scheme.

Although Zhangjiang Hi-Tech, the ultimate holding company of the Rollover Shareholder, will entitle to the dividend (if any) from its interest in SZMP, there is no guarantee on the profitability of SZMP in the future and any distribution of dividend in future will be subject to the financial position and profitability of SZMP.

According to the Management, Zhangjiang Hi-Tech was entitled to dividend payment from SZMP of approximately RMB80.7 million, RMB230.2 million, RMB254.4 million, RMB56.4 million and RMB51.0 million in each of the five years ended 31 December 2020 respectively. We noted the Group received dividend income from SZMP of approximately HK\$66.5 million, HK\$185.6 million, HK\$210.7 million, HK\$44.9 million and HK\$40.3 million in each of the five years ended 31 December 2020 respectively. Please note that the aforementioned dividend income from SZMP received by the Group was net of the withholding tax in the PRC.

Theoretically, it can be viewed that by entering into the Rollover Agreement, the Rollover Shareholder is forsaking the opportunity to receive approximately HK\$507 million, being the value of their shareholding based on the Cancellation Price. According to the Rollover Agreement, the Rollover Shareholder will be entitled to distributable profit of the Company after retaining HK\$50 million as working capital. Profit declaration will be subject to available cash in addition to the amount of the retained profits. The intentions of the parties are set out in the Shareholders’ Agreement but the actual profit declaration will be subject to the financial conditions of the Company such as the available cash at the relevant time.

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Although the Rollover Shareholder will be entitled to share the distributable profits of the Company after the Proposal and the Scheme become effective (which in other words can avail itself to recover the Cancellation Price based value of its shareholding in the Company of approximately HK\$507.0 million), Scheme Shareholders should note that there is no guarantee that there shall be sufficient distributable profits to do so, or the time that would entail to achieve the recovery (in part or in whole). In the meanwhile, the Rollover Shareholders and the Offeror shall alone be sharing all future risks and benefits accruing to the Company after the Scheme becoming effective.

We also noted that according to the Rollover Agreement, the Rollover Shareholder shall have the right to transfer all the Rollover Shares to the Offeror at any time during a period of three years from the commencement of the 13th month and up to the end of the 48th month after the Effective Date. The right to transfer is subject to the 12-month restriction after the Effective Date and the consideration for the potential transfer will be determined with reference to the valuation to be conducted by a third party valuation firm when the Rollover Shareholder exercises the relevant right. This is a commercial arrangement between the Rollover Shareholder and the Offeror which shall not affect the rights of Independent Shareholders under the Proposal. As the Scheme Shareholders will be compensated by the Cancellation Price, any future transfer after the Proposal and the Scheme become effective between the Rollover Shareholder and the Offeror is their private matter and we have no comment.

In light of the above, in particular, (i) the investment risks described above, (ii) the arrangements under the Special Deals enabled the Offeror to put forward the Proposal and the Scheme and offer the Scheme Shareholders an option to avail themselves to the arrangements under the Proposal, and that the Independent Shareholders alone have the rights to deny themselves to these opportunities by not approving the Special Deals, and (iii) having considered that the Proposal provides an opportunity to exit for the Scheme Shareholders to realise their investments in the Shares at the Cancellation Price, which they have the full discretion to support or otherwise, we are of the view that the Rollover Agreement does not prejudice against the rights of the Independent Shareholders and thus the arrangements contemplated are fair and reasonable as far as the Independent Shareholders are concerned.

2. The SZMP Transfer contemplated under the Framework Agreement

2.1 About SZMP

SZMP derived its revenue for FY2020 mainly from leasing of property projects in Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC (namely Zhangjiang Micro-electronics Port, Zhangjiang Tomson Garden and ZJ Legend) and sale proceeds of the car parking spaces in Shanghai. Below are the brief descriptions of the SZMP projects as extracted from the 2020 Annual Report.

Zhangjiang Micro-electronics Port

Seven blocks of office buildings are retained for leasing purpose. This project was the principal source of revenue of SZMP for FY2020 and accounted for approximately 49.52% of the turnover of SZMP. It offers a total rentable gross floor area of approximately 90,200 square meters for commercial and office purposes and approximately 82% were let as at 31 December 2020.

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Zhangjiang Tomson Garden

It is a residential development project and SZMP retains residential gross floor area of approximately 65,400 square meters for leasing and all the residential rentable rooms were leased out as at 31 December 2020. Two hundred-plus car parking spaces were sold during FY2020 and SZMP now holds five hundred-plus car parking spaces for sale. This project accounted for approximately 39.89% of the turnover of SZMP for FY2020.

ZJ Legend

It is a commercial centre which provides a total gross floor area of approximately 26,300 square meters for leasing purpose and an occupancy rate of approximately 82% was recorded as at 31 December 2020. The income generated from the commercial centre accounted for approximately 9.97% of the turnover of SZMP for the FY2020. Food and beverage outlets were the principal tenants of the commercial centre, occupying approximately 51% of the leased area, while entertainment businesses ranked as the secondary tenants, taking up approximately 28% of the leased area.

In addition, SZMP owns a land bank in Zhangjiang Hi-Tech Park for development of Phase 2 of the commercial centre. SZMP has been granted permission to revise its development plan of Phase 2 according to the revision of the zoning plan of north western district of Zhangjiang Hi-Tech Park approved by the municipal government of Shanghai in 2017. Under the proposed development plan, Phase 2 will be developed as a composite project for office, commercial and cultural purposes with a total gross floor area of approximately 60,900 square meters (subject to payment of additional land premium which will be determined after the development of Phase 2 of ZJ Legend has obtained approval from relevant authorities in the PRC). SZMP has been in regular contact with the government authorities and is monitoring policy development so as to push ahead with the preparation works.

Phase 1 of ZJ Legend had an occupancy rate of approximately 82% as at 31 December 2020 and the income generated from Phase 1 of ZJ Legend accounted for approximately 9.97% of the turnover of SZMP for the year ended 31 December 2020. It is expected that the development of Phase 2 of ZJ Legend will bring additional income sources to SZMP and increase its profitability. SZMP has been in regular contact with the relevant government authorities in Shanghai, the PRC over the past five years and has been monitoring policy development so as to try to push ahead with the preparation works of the development of the Phase 2 of ZJ Legend. However, there has not been any material progress in the five year period and the development of Phase 2 of ZJ Legend is currently on hold.

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If the SZMP Transfer shall be approved, SZMP will become majority-owned by and a subsidiary of Zhangjiang Hi-Tech which will take the lead to operate SZMP. As a government district majority owned entity, it is believed that SZMP will have a better access to and communication with the local government authorities to promote and facilitate the development of Phase 2 of ZJ Legend and the development could proceed in due course. In addition, Zhangjiang Hi-Tech, being an entity under the governance of the State-owned Assets Supervision and Administration Commission of the Pudong New Area of Shanghai (上海市浦東新區國有資產監督管理委員會), is listed on the Shanghai Stock Exchange. Zhangjiang Hi-Tech is principally engaged in and experienced in property development and investment in the PRC. Since the development of Phase 1 of ZJ Legend, Zhangjiang Hi-Tech has further developed the neighbourhood of ZJ Legend. If Phase 2 of ZJ Legend can be developed, it is expected that it could benefit from the existing development of Zhangjiang Hi-Tech Park by Zhangjiang Hi-Tech. Zhangjiang Hi-Tech, after becoming the majority shareholder of SZMP, will also devote more effort and resources to promote and expedite the development of SZMP, in particular, Phase 2 of ZJ Legend.

Development in Fengxian District, Shanghai

SZMP has developed a residential-cum-commercial project in Fengxian District of Shanghai. All the residential units of Tomson Ginkgo Garden have been sold and SZMP now retains a commercial-cum-office building with a total gross floor area of approximately 11,000 square meters. SZMP has entered into a letter of intent for leasing the commercial-cum-office building, however, it was cancelled in early 2021. SZMP intends to lease out the commercial-cum-office building as a whole and will actively solicit appropriate tenants.

During the FY2020, this project derived its income solely from sales and leasing of car parking spaces and accounted for approximately 0.62% of the turnover of SZMP. Ten car parking spaces were sold in 2020 and there are now one thousand two hundred-plus car parking spaces retained for sale.

2.2 Reasons for and benefits of the SZMP Transfer

We have conducted independent research on the Zhangjiang Hi-Tech Park and Zhangjiang Hi-Tech. We noted that Zhangjiang Hi-Tech Park is one of the four key development zone in Pudong New Area of Shanghai. Its development commenced back in 1992 and has been supported by several favorable government policies issued by the Shanghai municipal government. We also noted that Zhangjiang Hi-Tech is controlled by a state-owned enterprise and it has been involved in the planning and development since Zhangjiang Hi-Tech Park's establishment.

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Given (i) the experience, position and network of Zhangjiang Hi-Tech in Pudong New Area of Shanghai, (ii) the properties and assets owned by SZMP located within the Zhangjiang Hi-Tech Park are the key property development projects of SZMP, (iii) the potential time and management efforts required to push forward the Phase 2 of ZJ Legend project under SZMP (as described in the sub-section headed “2.1 About SZMP” above); and (iv) the operations and business challenges faced by the Group as described in the sub-section headed “1.3 Outlook of the Group” under the section headed “Principal factors and reasons considered for the Proposal” above, the SZMP Transfer will enable SZMP to become majority-owned by Zhangjiang Hi-Tech and by securing the majority-owned status, Zhangjiang Hi-Tech will have a more prominent role to facilitate SZMP to access and enjoy the preferential policies of the local government to facilitate and promote the redevelopment of its commercial project in Zhangjiang Hi-Tech Park (in particular, the development of the Phase 2 of ZJ Legend). Even though the interests of the Group in SZMP will be reduced after the completion of the SZMP Transfer, SZMP would be in a better position for rapid development with Zhangjiang Hi-Tech becoming the majority shareholder which may increase the earnings and profitability of SZMP, especially with the development of the Phase 2 of ZJ Legend, and the Company could benefit from the potential further business growth in SZMP as a result.

The SZMP Transfer contemplated under the Framework Agreement was initiated by the Offeror to enable the Proposal and the Scheme. In the event the Proposal does not become effective, we understand the Company will still proceed with the SZMP Transfer and the SZMP Transfer which will then be subject to the relevant regulatory requirements, such as the requirement under the Listing Rules.

From the Company’s perspective, the implementation of the SZMP Transfer would (i) facilitate Zhangjiang Hi-Tech, a government district owned entity, becomes the majority shareholder of SZMP, which will have better access to and communications with the local government authorities, that may benefit the redevelopment of the commercial project of SZMP in Zhangjiang Hi-Tech Park (including the development of Phase 2 of ZJ Legend); and (ii) incentivise Zhangjiang Hi-Tech to lead the future business development of SZMP’s portfolio, which would in turn benefit all shareholders of SZMP as a whole. On the premises that the SZMP Transfer would stand to enhance the development and prospect of SZMP of which the Company shall retain a significant stake regardless the outcome of the Scheme, we concur that the implementation of the SZMP Transfer to be in the interests of the Company and its Shareholders as a whole.

2.3 The consideration for the SZMP Transfer

Pursuant to the Framework Agreement, the Offeror and Zhangjiang Hi-Tech agreed that they shall procure the board of SZMP to engage a valuation firm as approved by the State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, the PRC to conduct a valuation on SZMP. The valuation firm will be independent of and not acting in concert with the Offeror and the Offeror Concert Parties (including Zhangjiang Hi-Tech). The Offeror and Zhangjiang Hi-Tech further agreed pursuant to the Supplemental Agreement to update effective valuation date of the valuation on SZMP to 31 March 2021.

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The parties to the Framework Agreement also agreed to ensure that the transfer price for Advance Investments (an indirect wholly-owned subsidiary of the Company) to transfer part of the interests in SZMP held by it (representing approximately 10.503% interests in the registered capital of SZMP) to Zhangjiang Hi-Tech should be not more than a pro-rata amount to be calculated based on the amount of valuation.

We note that the Valuer has been appointed as the independent professional valuer to conduct the valuation on the equity interest of SZMP as at 31 March 2021, details of which are set out in the Valuation Report in Appendix II to the Scheme Document.

The following table (as extracted from the Valuation Report) sets out the basis in deriving the equity interest of SZMP. The following is for illustration purposes only, and does not constitute a representation that the amount of valuation surplus as at the Effective Date will be the same as set out below.

	<i>RMB million</i>
Book value of SZMP's net assets as at 31 March 2021	1,504.8
Add:	
- revaluation surplus on inventories	515.3
- revaluation surplus on long-term equity investment	166.5
- revaluation surplus on investment real estate	2,039.7
- other revaluation surplus	0.9
	<hr/>
Equity value of SZMP as at 31 March 2021	<u>4,227.2</u>

As set out in the table above, the Valuer has estimated total revaluation gains of approximately RMB2,722.4 million (equivalent to approximately HK\$3,264.2 million converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) for SZMP. The total revaluation gains are added back to the audited net assets of SZMP as at 31 March 2021, deriving a value of approximately RMB4,227.2 million (equivalent to approximately HK\$5,068.4 million converted at an exchange rate of RMB1 to HK\$1.199, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) for the equity interests in SZMP as at 31 March 2021.

2.3.1 Qualification of the Valuer

The Valuer, Shanghai Lixin Appraisal Co., Ltd, is an asset evaluation corporation with qualification in respect of appraisal services related to securities and futures jointly issued by the Ministry of Finance and the Chinese Securities Regulatory Commission. It is one of the valuation firms approved by State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, with experience in providing valuation reports on assets for various Hong Kong listed companies since 1996.

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SZMP is principally engaged in residential, office and commercial property development and investment in Shanghai. Between 2014 to 2020, we noted that Valuer performed valuations for eight companies listed on the Stock Exchange. We also noted that the Valuer has conducted business valuation on a Shanghai-based and state-owned company engaging in property development and investment in the PRC. In light of the above, we believe the Valuer is qualified in the PRC and possess the relevant knowledge, skills and the understanding necessary to undertake the valuation of SZMP competently.

We have reviewed the terms of the Valuer's engagement, in particular, their scope of work, and noted that it is appropriate for arriving at the opinion required to be given. No limitation on the scope of work which might adversely impact on the degree of assurance given by them in the valuation report has been noted. We have also reviewed the Valuation Report and discussed with the Valuer regarding the methodologies of, and bases and assumptions adopted for the valuation of the equity interest in SZMP, which are further elaborated below.

Furthermore, in compliance with the requirements under note (1)(d) to Rule 13.80 of the Listing Rules and Rule 11.1(b) of the Takeovers Code, we have assessed the qualification and experience of the responsible person of the Valuer for its engagement as the independent professional valuer for this project. We noted that Mr. Yao Ling, the person in charge of the valuation, is a registered member of the China Appraisal Society (中國資產評估協會) and has over 11 years of experience in the valuation of properties in the PRC. Other than the valuation on SZMP set out in the Appendix II to the Scheme Document under the joint engagement by Zhangjiang Hi-Tech, SZMP and the Company, the Valuer has not been engaged by Zhangjiang Hi-Tech in the past two years prior to the date of the Scheme Document for valuation works, we are confirmed by both the Company and the Valuer that neither the Valuer nor the Company is aware of any relationship which may render them not independent and we are satisfied that the Valuer is independent from the Company or Zhangjiang Hi-Tech.

Considering the above, we believe the Valuer has sufficient local knowledge of the Shanghai property market, the skills and understanding necessary to undertake the valuation on the equity value of SZMP competently and are satisfied that the scope of work is sufficient and appropriate.

2.3.2 Valuation methodology for the equity interest in SZMP

We have conducted an interview with the Valuer to understand the valuation methodology adopted for valuing the equity interest in SZMP.

We were advised that, in deciding its valuation methodology, the Valuer took into consideration the principal business of SZMP, which is property development and property investment. As SZMP operates an asset-heavy business, the Valuer considers adopting an asset-based approach to appraise each key item's value in the balance sheet of SZMP is appropriate.

In addition, we were advised that the Valuer has also considered other alternative valuation methods, such as comparable approach. However, the Valuer concluded that it is not applicable due to (i) the operating scale of SZMP is small and not publicly listed on any stock exchange, which post difficulties for the Valuer to identify comparable companies/comparable transactions with adequate public information for conducting the valuation; and (ii) SZMP operates in Shanghai only, which further limits the potential comparable companies/comparable transactions to be identified.

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The Valuer provided to us three sample transactions for companies listed on stock exchange(s) in the PRC occurred between 2018 to 2020 for valuing equity interests in property companies. We noted that these transactions have adopted a similar approach of asset-based valuation. We were also advised by the Valuer that the asset-based valuation complies to the standards set by China Appraisal Society (中國資產評估協會, “CAS”) and is a common method for valuing equity interest.

We noted CAS is the national, non-profit organization which is formed from valuation firms and qualified valuation professionals in the PRC. It is overseen by the Ministry of Civil Affairs and Ministry of Finance of the PRC. CAS helped establish national valuation standards through which it incorporates and promotes international valuation standards (“IVS”). CAS have achieved convergence with IVS in terms of basic professional concepts, major technical methods and important technical terms. As such, we consider the valuation standards adopted by the Valuer to conduct the valuation of SZMP is in compliance with Rule 11 of the Takeovers Code.

Given the above, we are of the view that the valuation methodology adopted by the Valuer for valuing the equity interest in SZMP is fair and reasonable.

2.3.3 Valuation of SZMP properties

As set out in the table above, the revaluation surplus mainly comprises the revaluation gain on inventories (which mainly comprise properties held for sale) and investment real estate (together, the “**SZMP properties**”). The revaluation surplus is arrived at by deducting the SZMP properties’ book value from its market value as estimated by the Valuer.

We understand from the Valuer that they have applied two methods in deriving the value of the SZMP properties, namely the comparable approach and the capitalisation approach. Based on the locations and use of properties, the SZMP properties are categorised into nine groups. Within each group, the SZMP properties have the same land use right, similar features and are located in proximity to each other for the SZMP properties to be valued on a same basis.

Six out of nine groups of the SZMP properties valuation are based on the comparable approach. The Valuer has advised that (i) comparable approach is a commonly adopted approach in valuing properties; and (ii) there are sufficient market information for valuing the SZMP properties. In total, we noted that there are six groups of SZMP properties valued based on the comparable approach (the “**SZMP Comparable Properties**”). The SZMP Comparable Properties include commercial units of ZJ Legend, office buildings of Zhangjiang Micro-electronics Port, saleable carparks of the projects in Zhangjiang Hi-Tech Park, carparks and the commercial-cum-office building of the development project in Fengxian District, Shanghai mentioned in sub-section headed “2.1 About SZMP” above.

However, three out of nine groups of SZMP properties are (i) subject to restriction which does not allow free transfer of the corresponding property interests; or (ii) subject to long-term tenancy contracts, which the future benefits can be reliably predicted. Hence, the Valuer has adopted the capitalisation approach instead of comparable approach for valuation of these properties, which included club house, residential units and non-saleable carparks of Zhangjiang Tomson Garden mentioned in sub-section headed “2.1 About SZMP” above.

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In valuing the SZMP properties, the Valuer has also reviewed documents to confirm that SZMP has enforceable title to the SZMP properties and has free and uninterrupted rights to use, occupy or assign the SZMP properties for the whole of the remaining term as granted saved for one of the SZMP properties, of which the details are discussed below.

According to the Valuer,

- (i) the real estate ownership certificates (房地產權證) of the properties of SZMP at Block 4 to Block 13, 690 Bibo Road, Shanghai have not been processed due to the issue on plot ratio. It is uncertain as to the timing on obtaining the real estate ownership certificates; and
- (ii) SZMP acquired the commercial land located at No. 635, Bibo Road, Shanghai in 2001. As it had been acquired in early years, according to the land transfer contract (土地出讓合同), only the purpose and plot ratio are two planning conditions known, and the land is pending development. It is unable to confirm the changes and restrictions on planning that will be encountered during the actual development, and it may have an impact on the valuation assessment.

Accordingly, for the properties at Block 4 to Block 13, 690 Bibo Road, Shanghai, the Valuer has assumed SZMP will be able to obtain the real estate ownership certificates by paying the additional land premium for the excess area when comparing the area shown on the land transfer contract to the area shown on the real estate ownership certificate. As such, the Valuer has estimated the additional land premium payable and deducted such value from the market value of such properties. The valuation of the commercial land located at No. 635, Bibo Road was the existing value of the land based on the planning conditions stipulated in the land transfer contract made at the time of acquisition. Payment of additional land premium will usually be required when the planning conditions of the land change in the future. The Valuer considered that it will not have material impact on the value of the land as at 31 March 2021.

Comparable approach

We understand that the comparable transactions selected for valuing each of SZMP Comparable Properties were based on (i) the land use of the properties; (ii) the location of the properties; (iii) the conditions of the properties; and (iv) transactions completed within two years as at the valuation date (i.e. 31 March 2021). All comparable transactions data was obtained from the database maintained by the Valuer, which capture most of the property transactions in Shanghai.

We have reviewed the details of the comparable transactions which the Valuer has applied to value the SZMP Comparable Properties. We noted that the Valuer has identified three comparable transactions as reference for valuing each of the SZMP Comparable Properties. In particular, some of the comparable transactions are adjusted where the Valuer considered appropriate to derive the market value of each of the SZMP Comparable Properties.

We noted that such adjustments are based on economic factors such as difference in locations, land uses, date of transactions with reference to the Valuer's in-house research data. After deriving the market value of each SZMP Comparable Properties, we also noted that the Valuer will further adjust the market value taking into consideration the value-added tax, selling expenses, Land Appreciation Tax and Enterprise Income Tax.

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Furthermore, we have also reviewed and considered 14 similar transactions (which involved PRC properties interests) conducted by companies listed on the Stock Exchange over a period from February 2021 to April 2021, where the same approach was adopted to value various properties. The reviewed transactions include valuations commissioned by properties development companies in the PRC. We believe the 14 transactions are exhaustive based on these criteria. We noted that the methodology adopted (based on market value and comparison approach) and assumptions used in deriving the value of the SZMP Comparable Properties are comparable to the industry.

Based on the above, we consider that the comparable approach is an approach commonly adopted in determining the value of properties and that the assumptions and the underlying basis for valuing the SZMP Comparable Properties are fair and reasonable.

Capitalisation approach

As described above, there are three groups of properties (the “SZMP Cap Properties”) valued under a capitalisation approach, of which two groups of the properties are not transferable and one group of the properties are subject to long-term tenancy contracts entered into with government entities.

We were advised by the Valuer that the value of the SZMP Cap Properties was derived based on the rental incomes to be earned based on the long-term tenancy contracts entered into with government entities, the estimated capitalisation rate and the number of years of ownership.

To assess the reasonableness of the parameters adopted in deriving the value, we have obtained and reviewed the valuation summary which set out the detailed information of each of the SZMP Cap Properties. We noted that (i) the rental income is estimated based on the current rent and the Valuer would also adjust the rent based on their understanding of the market rent; (ii) the capitalisation rate is based on the Valuer’s in-house data which was derived with reference to the (aa) the risk-free interest rate published by the People’s Bank of China; and (bb) risk premiums published by Shanghai Municipal Planning and Land Resources Administration* (上海市規劃和國土資源管理局); and (iii) the number of years of ownership is derived based on the expiry date of the land use right for each of the SZMP Cap Properties.

We have reviewed the basis of the capitalisation rate and noted the capitalisation rate is derived based on (i) the risk-free interest rate published by the People’s Bank of China; and (ii) risk premiums published by Shanghai Municipal Planning and Land Resources Administration* (上海市規劃和國土資源管理局). We noted that the parameters used for the SZMP Cap Properties are in line with the historical value from the comparable transactions in the Valuer’s data base.

In addition, we consider the use of current rent together with the market rent and expiry date of the land use right to be appropriate in applying the capitalisation approach as it reflects the expected future benefits to be generated by the SZMP Cap Properties and the time of which the future benefits are expected to be generated.

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Based on the above, we consider that the capitalisation approach is an approach commonly adopted in determining the value of the SZMP Cap Properties which are not transferable or subject to long-term tenancy contracts entered into with government entities and that the assumptions and the underlying basis for valuing the SZMP Cap Properties are fair and reasonable.

Conclusion on the valuation of SZMP properties

Following our discussion with the Valuer and reviewing each of the valuation basis of the comparable approach and capitalisation approach, we concur with the Valuer's view that the valuation methodology adopted by the Valuer is a common practice for determining the market value of such properties located in the PRC and the underlying basis for valuation of the SZMP properties is fair and reasonable.

2.3.4 Other revaluation gain in SZMP

In addition to the revaluation gain on the SZMP properties, SZMP also recorded a revaluation gain in relation to the long-term equity investment amounted to approximately RMB166.5 million and other revaluation gain amounted to approximately RMB0.9 million.

We understand from the Valuer that the long-term equity investment includes SZMP's equity interest in Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd.* (上海張江南郊微電子港有限公司), a wholly-owned subsidiary of SZMP. The increase in the value of SZMP's equity interests in the subsidiary company of approximately RMB166.5 million was mainly due to the increase in the valuation of its development projects. As the subsidiary company engages in property development and property investment, which is the same business as SZMP, the Valuer has adopted a similar basis in valuing the subsidiary company. We understand the value of the development projects was arrived at similar basis as set out in the paragraph headed "2.3.3 Valuation of SZMP properties" above.

We were also advised that SZMP owns an equity interest of approximately 45.01% interests in an associate company, Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd.* (上海張江創業源科技發展有限公司, "Shanghai Chuang Ye Yuan"). As Shanghai Chuang Ye Yuan also engages in property development and property investment, the valuation basis is same as the basis set out in the paragraph headed "2.3.3 Valuation of SZMP properties" above.

After adjusting for the valuation surplus arising from its properties interests, the associate company recorded net liabilities of approximately RMB82.4 million as at 31 March 2021. Due to the limited liability nature of an equity investment, the Valuer has not attributed any value to such equity investment.

We have reviewed the latest audited financial statements of Shanghai Chuang Ye Yuan for FY2020 as well as its audited accounts for the three months ended 31 March 2021. We noted that Shanghai Chuang Ye Yuan had net liabilities of approximately RMB156.7 million and RMB224.7 million as at 31 December 2020 and 31 March 2021 respectively. After adjusting for the valuation surplus of its properties interests, Shanghai Chuang Ye Yuan still recorded net liabilities of approximately RMB82.4 million as at 31 March 2021. Considering (i) Shanghai Chuang Ye Yuan recorded net liabilities; and (ii) the limited liability nature of SZMP's equity investment in Shanghai Chuang Ye Yuan, we concur with the Valuer's view that it is reasonable not to attribute any value to Shanghai Chuang Ye Yuan for the purpose of valuing SZMP's equity interest.

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For the other revaluation gain amounted to approximately RMB0.9 million, we were advised by the Valuer that such gain was mainly due to the increase in the valuation of SZMP's Shanghai vehicle license plates. We have reviewed the latest market transaction data of such vehicle license plates from public source (Shanghai International Commodity Auction Co., Ltd., a company established by, amongst other, Shanghai Municipal People's Government) and noted the average price of Shanghai vehicle license plates increased from approximately RMB177,000 in January 2021 to approximately RMB206,000 in March 2021. Hence, we concur with the Valuer that such revaluation gain is fair and reasonable.

2.3.5 The consideration

Based on the Valuation Report, the market value of the entire equity interests in SZMP amounted to RMB4,227.2 million as at 31 March 2021. Hence, the market value of the 10.503% interests in the registered capital of SZMP held by Advance Investments is valued at approximately RMB443.98 million, which will be the consideration for the SZMP Transfer. The Group expects the consideration to be settled in cash. According to the Framework Agreement, Advance Investments and Zhangjiang Hi-Tech shall negotiate in good faith and enter into a sale and purchase agreement within 60 days (or such other time as the parties may agree in writing) after the Effective Date or the Proposal having lapsed or not becoming unconditional, subject to all necessary approvals required under the Listing Rules, the Takeovers Code and applicable laws and regulations in respect of the SZMP Transfer having been obtained. The Group intends to complete the SZMP Transfer soon after the entering of the sale and purchase agreement.

Taking into account that (i) the valuation methodology adopted by the Valuer is a common practice for determining the market value of the SZMP properties and the equity interest in SZMP; (ii) the underlying basis for valuation of the market value of the SZMP properties and the equity interest in SZMP is fair and reasonable; and (iii) the equity value of SZMP derived in the Valuation Report, we are of the view that the basis of determining the consideration for the SZMP Transfer is fair and reasonable.

2.4 Section conclusion

In light of the above, in particular, (i) the SZMP Transfer is important in enabling the Rollover Agreement as well as the Proposal and the Scheme, which we consider to be in the interests of the Company and the Shareholders as a whole; and (ii) the basis in determining the consideration for the SZMP Transfer is fair and reasonable, we are of the view that the SZMP Transfer contemplated under the Framework Agreement does not prejudice against the Independent Shareholders and is fair and reasonable as far as the Independent Shareholders are concerned.

3. The approval of the Special Deals as a condition for the passing of the Proposal and Scheme

As mentioned in the section headed "2. Conditions of the Proposal" under the section headed "Principal terms of the Proposal" in this letter, the approval of the Special Deals by passing an ordinary resolution by the Independent Shareholders at the General Meeting forms part of the conditions of the Proposal which cannot be waived by the Offeror in any event. In case where the Independent Shareholders do not approve the Special Deals, the said condition of the Proposal will not be fulfilled before the Long Stop Date (or such later date as the Offeror may determine or, to the extent applicable, as the Executive may consent and the High Court may direct), the Scheme will lapse accordingly.

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In light of (i) the reasons for and benefits of the Special Deals as mentioned in the section headed “Principal factors and reasons considered for the Special Deals” in this letter; and (ii) our opinion that the Special Deals are fair and reasonable and do not prejudice against the Independent Shareholders as far as they are concerned, we recommend the Independent Shareholders to vote in favour of the ordinary resolution at the General Meeting to approve the Special Deals.

Independent Shareholders’ attention is drawn to the fact that their voting decision on the Special Deals should be exercised solely on the merits of the arrangements under the Special Deals alone, and that they should exercise their judgement in voting in the Court Meeting and the General Meeting to be convened for considering the Scheme.

RECOMMENDATIONS

In summary, we have considered the below factors and reasons in reaching our conclusion and recommendations:

- (i) although the Company had not been successful in convincing that its submitted business expansion and investment can readily satisfy the Stock Exchange’s concern on the Company’s compliance with Rule 13.24 of the Listing Rules, the expansion plan submitted was seriously conceived, and was structured with due regard to the Company’s long-term experience in property investments, and avoiding the risks involved in investing in other businesses or industries that the Management had no previous experience in;
- (ii) in view of the background leading to the Decision as mentioned in the sub-section headed “1.3 Outlook of the Group” under section headed “Principal factors and reasons considered for the Proposal” above, there is an actual and imminent risk of facing trading suspension, which if prolonged, may lead to delisting of the Company by the Stock Exchange;
- (iii) in the event that the Proposal does not materialise, and the listing status of the Company is cancelled, all the Shareholders will be holding the Shares of an unlisted public company, where trading of the Shares will no longer be easily accessible and information less transparent as compared to the platform offered by the Stock Exchange, and there will be uncertainty on the price and the liquidity of the Shares going forward;
- (iv) the operations and business challenges faced by the Group as detailed in the sub-section headed “1.3 Outlook of the Group” under the section headed “Principal factors and reasons considered for the Proposal” above in this letter;
- (v) the Company is and will continue to be left with a high level of distributable profits after the Proposal and the Scheme become effective, but the rights of the Scheme Shareholders to share such distributable profits have not been deprived of irrespective of the existence of the Proposal set out in the sub-section headed “2.2 The Offeror’s intention in relation to the Company” under section headed “Principal factors and reasons considered for the Proposal” above in this letter;

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- (vi) the Cancellation Price is higher than the closing price of the Shares on any of the trading days during the Review Period. Despite there has been a recent surge in Share price, such Share price may not sustain at current level by the fundamentals of the Group in the long term;
- (vii) despite the Cancellation Price represented a discount of approximately 33.13% to the NAV per Share of approximately HK\$0.972 as at 31 December 2020, considering (i) the Cancellation Price of HK\$0.65 per Share covers the full value of the liquid and marketable assets of the Group of approximately HK\$0.472 per Share; (ii) the closing Share price had been trading at a steeper discount to the NAV per Share (ranging between 35.58% to 59.14%) during the Review Period; (iii) the closing Share price had been trading at an even steeper discount to the Reassessed NAV per Share and Re-reassessed NAV per Share (ranging between 59.38% and 75.50%) during the Review Period; and (iv) the Group intends to hold the other major assets of the Group for long term and has no intention to realise such other major assets into cash (save for the SZMP Transfer due to the reasons set out in the sub-section headed “1. Reasons for and benefits of the Rollover Arrangement” under section headed “Principal factors and reasons considered for the Special Deals” above), which if there is no Proposal, the Independent Shareholders will not have an assured opportunity to realise some value of the other major assets of the Group, from a NAV per Share standpoint, we consider that the Cancellation Price is fair and reasonable;
- (viii) the trading liquidity of the Shares was thin throughout the Review Period and the Scheme represents an assured exit for the Independent Shareholders; and
- (ix) though there is no suitable and direct comparable companies listed on the Stock Exchange available for conducting a comparable analysis for assessing the fairness and reasonableness of the Cancellation Price, we are of the view that Independent Shareholders should take into account all the factors mentioned above as a whole when considering the Cancellation Price and the Proposal.

In light of the above, we consider that the Proposal and the Scheme represent an attractive opportunity for the Scheme Shareholders to exit at an assured price and to monetize and reallocate their investment in the Company to other investments that they may consider more attractive.

In relation to the Special Deals, we are of the view that:

- (i) the Company as a significant shareholder in SZMP, shall through the arrangements under the SZMP Transfer, be benefited by the long-term potential growth under the future co-operation between the Rollover Shareholder and the Company, irrespective of the voting outcome of the Scheme;

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- (ii) the Rollover Agreements actually facilitated the availability of the Proposal for consideration by the Scheme Shareholders as the Offeror is not able to put forward the Proposal and the Scheme without the support of the Rollover Shareholder, as well as the Company to realise its part interest in SZMP at full appraised value, as well as the potential enhancement in the future value of SZMP via strengthening the alignment of the interests of the ultimate holding company of the Rollover Shareholder in SZMP. To sum up, the arrangements under the Special Deals enabled the Offeror to put forward the Proposal and the Scheme and offer the Scheme Shareholders an option avail themselves to the arrangements under the Proposal, and that the Independent Shareholders alone have the rights to deny themselves to these opportunities by not approving the Special Deals;
- (iii) the Rollover Agreement is fair and reasonable as far as the Independent Shareholders are concerned;
- (iv) the SZMP Transfer contemplated under the Framework Agreement is fair and reasonable as far as the Independent Shareholders are concerned; and
- (v) the Special Deals, as a condition for the passing of the Proposal and Scheme, are fair and reasonable and do not prejudice against Independent Shareholders as far as they are concerned.

As such, we are of the opinion that (i) the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Independent Shareholders; (ii) the Independent Shareholders should vote in favour of the resolution to approve the Scheme at the Court Meeting; (iii) the Independent Shareholders should vote in favour of the special resolution(s) to approve the implementation of the Scheme at the General Meeting; and (iv) the Independent Shareholders should vote in favour of the ordinary resolution to approve the Special Deals at the General Meeting which is a standalone resolution separate from the voting resolutions in (ii) and (iii) above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As different Scheme Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Simon Kwok
Senior Manager

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Simon Kwok (“**Mr. Kwok**”) is a Responsible Officer of Altus Capital licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in financial services industry, including over four years of corporate finance advisory experience in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Kwok is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.

1. INTRODUCTION

On 18 January 2021 (after trading hours), the Offeror and the Company jointly announced that the Offeror formally requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share.

Upon completion of the Proposal, the Company will be owned as to approximately (i) 50.02% by the Offeror, (ii) 12.16% by Madam Hsu and through the Nominee Shareholders, (iii) 3.96% by Mr. Albert Tong; (iv) 3.96% by Mr. Charles Tong; and (v) 29.90% by the Rollover Shareholder, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and to provide the 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: (a) Letter from the Board; (b) Letter from the Independent Board Committee; (c) Letter from the Independent Financial Adviser; and (d) the terms of the Scheme set out in Appendix IV to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal is to be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

Consideration

The Scheme will provide that the Scheme Shares be cancelled in exchange for the payment to Scheme Shareholders of HK\$0.65 in cash for each Scheme Share.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities issued by the Company.

No price increase statement

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

EXPLANATORY STATEMENT

Comparisons of value

The Cancellation Price represents:

- (a) a premium of approximately 62.50% over the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the last trading day prior to the Offer Period Commencement Date;
- (b) a premium of approximately 64.97% over the average closing price of approximately HK\$0.394 per Share based on the daily closing prices as quoted on the Stock Exchange over the five (5) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (c) a premium of approximately 63.59% over the average closing price of approximately HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the thirty (30) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (d) a premium of approximately 71.13% over the average closing price of approximately HK\$0.380 per Share based on the daily closing prices as quoted on the Stock Exchange over the sixty (60) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (e) a premium of approximately 63.89% over the average closing price of approximately HK\$0.397 per Share based on the daily closing prices as quoted on the Stock Exchange over the one hundred and eighty (180) trading days up to and including the last trading day prior to the Offer Period Commencement Date;
- (f) a premium of approximately 12.07% over the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (g) a premium of approximately 14.04% over the average closing price of approximately HK\$0.570 per Share based on the daily closing prices as quoted on the Stock Exchange over the five (5) trading days up to and including the Last Trading Day;
- (h) a premium of approximately 26.34% over the average closing price of approximately HK\$0.515 per Share based on the daily closing prices as quoted on the Stock Exchange over the thirty (30) trading days up to and including the Last Trading Day;

EXPLANATORY STATEMENT

- (i) a premium of approximately 43.59% over the average closing price of approximately HK\$0.453 per Share based on the daily closing prices as quoted on the Stock Exchange over the sixty (60) trading days up to and including the Last Trading Day;
- (j) a premium of approximately 58.23% over the average closing price of approximately HK\$0.411 per Share based on the daily closing prices as quoted on the Stock Exchange over the one hundred and eighty (180) trading days up to and including the Last Trading Day;
- (k) a discount of approximately 33.13% to the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.972 as at 31 December 2020, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$2,536.25 million as at 31 December 2020 by the number of issued Shares on the Latest Practicable Date of 2,608,546,511 Shares; and
- (l) a premium of approximately 4.84% over the closing price of HK\$0.620 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account, among others, the financial information of the Group, the prices at which the Shares were traded on the Stock Exchange and the trading volumes over the past year, and pricing premiums for privatisation transactions of companies listed on the Stock Exchange in recent years.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.63 on each of the trading days during the period from 24 May 2021 to 28 May 2021 and each of the trading days during the period from 1 June 2021 to 22 June 2021, respectively, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.345 each on 23 September 2020, 5 October 2020, 6 October 2020 and 7 October 2020, respectively.

Total consideration

As at the Latest Practicable Date, there were 2,608,546,511 Shares in issue of which 908,114,054 Shares were the Scheme Shares, which represented approximately 34.81% of the total issued Shares. On the basis of the Cancellation Price per Scheme Share and 908,114,054 Scheme Shares were in issue as at the Latest Practicable Date and assuming no further Shares will be issued before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$590.27 million, which represents the amount of cash consideration required to effect the Proposal.

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Confirmation of financial resources

Payment of the cash consideration under the Scheme will be funded by the internal cash resources of the Offeror. YXCL, as 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.

Approval by Independent Shareholders

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and the Offeror Concert Parties will abstain from voting at the Court Meeting on the resolution to approve the Scheme.

As at the Latest Practicable Date, the Scheme Shares, comprising 908,114,054 issued Shares, represented approximately 34.81% of the total issued Shares where the Independent Shareholders were interested in 652,437,728 issued Shares (representing approximately 25.01% of the total issued Shares) and Cosmos Success (an indirect wholly-owned subsidiary of Tomson), an Offeror Concert Party, was interested in 255,676,326 issued Shares (representing approximately 9.80% of the total issued Shares). The Shares held by the Independent Shareholders and Cosmos Success will form the Scheme Shares, but Cosmos Success will abstain from voting at the Court Meeting. Cosmos Success (an indirect wholly-owned subsidiary of Tomson) is a party presumed under the Takeovers Code to be acting in concert with the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong by virtue of Tomson and the Offeror being controlled by Madam Hsu and her close relatives.

As at the Latest Practicable Date:

- (a) the Offeror was interested in 396,878,888 issued Shares, representing approximately 15.21% of the total issued Shares;
- (b) Madam Hsu (herself and through Nominee Shareholders) was interested in 317,178,162 issued Shares, representing approximately 12.16% of the total issued Shares. She is the mother of Mr. Albert Tong and Mr. Charles Tong. She is acting in concert with Mr. Albert Tong and Mr. Charles Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of the Offeror and Tomson being controlled by her and her close relatives, and she is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement;
- (c) Mr. Albert Tong was interested in 103,210,000 issued Shares, representing approximately 3.96% of the total issued Shares. Mr. Albert Tong is a son of Madam Hsu and the younger brother of Mr. Charles Tong, and he is acting in concert with Madam Hsu and Mr. Charles Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of Tomson and the Offeror being controlled by him and his close relatives, and he is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement;

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- (d) Mr. Charles Tong was interested in 103,210,000 issued Shares, representing approximately 3.96% of the total issued Shares. Mr. Charles Tong is a son of Madam Hsu and the elder brother of Mr. Albert Tong, and he is acting in concert with Madam Hsu and Mr. Albert Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of Tomson and the Offeror being controlled by him and his close relatives, and he is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement; and
- (e) the Rollover Shareholder was interested in 779,955,407 issued Shares, representing approximately 29.90% of the total issued Shares. The Rollover Shareholder and Zhangjiang Hi-Tech are acting in concert with the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong by virtue of the Rollover Arrangement.

The Shares held by the Offeror and the relevant Offeror Concert Parties set out in (a) to (e) above will not form the Scheme Shares and the Offeror, Madam Hsu (and through Nominee Shareholders), Mr. Albert Tong, Mr. Charles Tong and the Rollover Shareholder will abstain from voting on the Scheme at the Court Meeting. The Offeror confirms that no new nominees will be nominated during the Offer Period. If there are any new nominees being nominated during the Offer Period, they will abstain from voting at the Court Meeting and the Shares held by these nominees will not form part of the Scheme Shares.

All Shareholders will be entitled to vote on the special resolution(s) to be proposed at the General Meeting to approve and give effect to the reduction of share capital of the Company and the implementation of the Scheme. The Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong have indicated that and the Rollover Shareholder has undertaken that they will vote and Madam Hsu will direct the Nominee Shareholders to vote in favour of the special resolution(s) on the reduction of share capital of the Company and the implementation of the Scheme to be proposed at the General Meeting. The Offeror, Madam Hsu (and the Nominee Shareholders), Mr. Albert Tong, Mr. Charles Tong, the Rollover Shareholder and Cosmos Success will abstain from voting on the resolution on the Special Deals to be proposed at the General Meeting.

3. CONDITIONS OF THE PROPOSAL

The Proposal 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 at the Court Meeting (by way of poll) by Scheme Shareholders representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all Disinterested Shares, provided that:

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- (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of 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 Independent Shareholders;
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the General Meeting (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme respectively;
- (e) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Special Deals;
- (f) all Authorisations (if any) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (g) 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);

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- (h) 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;
- (i) 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
- (j) since the Announcement Date: (i) there having been no 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.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions in paragraphs (a) to (e). The Company does not have the right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn. 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 Proposal 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.

With reference to the Condition in paragraph (f), as at the Latest Practicable Date, the Offeror was not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (a) to (d).

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With reference to the Condition in paragraph (g), as at the Latest Practicable Date, the Offeror was not aware of any such action, proceeding, suit, investigation, statute, regulation, demand or order.

With reference to the Condition in paragraph (h), as at the Latest Practicable Date, the Offeror was not aware of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (a) to (e).

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

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Thursday, 19 August 2021. Further announcements will be made including in particular in relation to (i) the results of the Court Meeting and the General Meeting; and if all the resolutions are passed at those meetings, (ii) the result of the Court Hearing; (iii) the Scheme Record Date; (iv) the Effective Date; and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in the “Expected Timetable” section of this Scheme Document.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting. If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company.

WARNING: Shareholders and potential investors should be aware that the implementation of the Scheme and the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. If you are in doubt as to the content of this Scheme Document, any aspect of the Proposal or any action to be taken, you are encouraged to consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

4. SPECIAL DEALS RELATING TO ROLLOVER AGREEMENT AND FRAMEWORK AGREEMENT

Rollover Agreement

On 18 January 2021 (after trading hours), the Offeror and the Rollover Shareholder entered into the Rollover Agreement, pursuant to which:

- (a) subject to the Rollover Conditions having been fulfilled, the Offeror and the Rollover Shareholder will remain as Shareholders after the Scheme becoming effective;
- (b) none of the Rollover Shares will constitute the Scheme Shares under the Scheme, and the Rollover Shareholder will abstain from voting on the Scheme at the Court Meeting and the Rollover Arrangement at the General Meeting;

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- (c) the Rollover Shareholder has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise the voting rights in respect of the Rollover Shares, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at the General Meeting, and shall take all actions necessary to implement the Scheme;
- (d) the Rollover Shareholder has further undertaken that it shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Rollover Shares, nor will the Rollover Shareholder accept any other offer in respect of any or any of such Rollover Shares;
- (e) the Offeror shall ensure that the management of the Company after the Effective Date shall comply with the terms set out in the Framework Agreement;
- (f) the Offeror shall ensure that the Company and Advance Investments (an indirect wholly-owned subsidiary of the Company) shall transfer approximately 10.503% interests in the registered capital of SZMP held by Advance Investments to Zhangjiang Hi-Tech in accordance with the terms of the Framework Agreement after the Effective Date; and
- (g) the Rollover Shareholder shall have the right to transfer all the Rollover Shares to the Offeror at any time during a period of three (3) years from the commencement of the 13th month and up to the end of the 48th month after the Effective Date. Such right could only be exercised once. The Offeror shall appoint a third party valuation firm mutually agreed by the Offeror and the Rollover Shareholder to conduct valuation on the Company within ten (10) business days (i.e. any day(s) (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business) after the Rollover Shareholder serving a written notice to the Offeror on exercise of such right (or such other period as the parties agreed) and the transfer price shall be determined with reference to the valuation.

Rollover Conditions

The implementation of the Rollover Arrangement is subject to the fulfilment of the Rollover Conditions as follows:

- (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned;
- (b) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals;
- (c) the grant of consent from the Executive in respect of the Special Deals; and
- (d) the Scheme becoming effective.

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The Rollover Agreement shall be terminated upon the Proposal lapses or the Offeror terminates, withdraws or repeals the Proposal or the High Court rejects the Scheme.

Framework Agreement

(a) Shareholders' Agreement

On 18 January 2021 (after trading hours), the Offeror and Zhangjiang Hi-Tech entered into the Framework Agreement pursuant to which the parties agreed that the Offeror and Zhangjiang Hi-Tech shall enter into the Shareholders' Agreement with the Company within ten (10) Working Days after the withdrawal of listing of the Shares on the Stock Exchange and shall ensure the Company to amend its articles of association within forty-five (45) days after the withdrawal of listing of the Shares on the Stock Exchange to reflect, inter alia, the provisions of the proceedings for the directors and general meetings, and profit appropriation and dividend payment in the Shareholders' Agreement.

According to the Framework Agreement, the principal terms of the Shareholders' Agreement to be entered into between the Offeror and Zhangjiang Hi-Tech are set out below:

- (i) **Business of the Group:** The Group shall continue to principally engage in property development and investment, or such other businesses as the parties may agree after the Effective Date.
- (ii) **Board composition:** The Board shall comprise not more than six (6) Directors. After the Effective Date, the Offeror (together with Tong Family) and Zhangjiang Hi-Tech (through the Rollover Shareholder) shall be entitled to nominate the following number of Directors to the Board:

Percentage of shareholding in the Company held by the Offeror (together with Tong Family) or Zhangjiang Hi-Tech (through the Rollover Shareholder) after the Effective Date	Number of Director(s)
Up to 85%	5
Up to 70%	4
Up to 50%	3
Up to 29.90%	2
Up to 15%	1

- (iii) **Board meeting:** Save for certain specified matters which require approval from all Directors attending a Board meeting or as required under the articles of association of the Company or the Companies Ordinance, all matters shall be approved by the Board by simple majority votes by the Directors attending the relevant Board meeting. The specified matters include, among other things, the change of the share capital of the Company, liquidation of the Company, nomination of auditor of the Company and amendment to the articles of association of the Company.

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- (iv) **Reserved matters:** Save as required under the articles of association of the Company or the Companies Ordinance, certain reserved matters require prior written approval of the Shareholders holding not less than 75% shareholding of the Company, including but not limited to, the change of the share capital of the Company, amendment to articles of association of the Company and acquisition or disposal of equity interest in any company which is engaged in business other than that stated in paragraph (i) “Business of the Group” above or which is related to an investment equal to 20% or more of the net asset value of the Company.
- (v) **Pledge of Shares:** Save with the prior written consent of all the Shareholders, within twelve (12) months after the Effective Date, none of the Shareholders may create mortgage, pledge, lien, charge, mortgage interest, interest, claim or encumbrance. After the expiration of the period mentioned above, if a Shareholder intends to create any mortgage, pledge, lien, charge, mortgage interest, interest, claim or encumbrance, the other Shareholders must be notified in advance in writing.
- (vi) **Restriction on sale:** Save for transfers to the existing Shareholders or with written consent of all Shareholders, within twelve (12) months after the Effective Date, all Shareholders shall not transfer their Shares.
- (vii) **Rights of first refusal:** If any Shareholder intends to transfer their Shares to any third party, the existing Shareholders have the rights of first refusal.
- (viii) **Distributions and dividends:** The distributions and dividends of the Company shall be determined by the Board. The amount of dividends shall not be less than 75% of the profit after tax for the relevant year, and shall be distributed to the Shareholders in proportion to their respective shareholdings in the Company on or before 31 May every year.
- (ix) **Others:** After the Effective Date, the Offeror (together with Tong Family) and Zhangjiang Hi-Tech (through the Rollover Shareholder) shall approve the following at a Shareholders’ meeting or procure the Directors nominated by them in a Directors’ meeting to approve the following:
 - (aa) after the Effective Date, save for retaining HK\$50 million as the working capital of the Company, if the Company has any distributable profits or dividends, the Company shall distribute the same to the Shareholders in proportion to their respective shareholdings in the Company; and
 - (bb) the distribution and dividends of the Company in accordance with paragraph (viii) “Distribution and dividends” above.

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It was agreed in the Framework Agreement that, save for retaining HK\$50 million as the working capital of the Company, if the Company has any distributable profits or dividends, the Company shall distribute the same to the Shareholders in proportion to their respective shareholdings in the Company after the Effective Date, but there is no an agreed timeline for such distribution. Subject to the Shareholders' Agreement to be entered into after the withdrawal of listing of the Shares if the Scheme becomes effective, the Company will consider dividend payment on or before 31 May every year. The Group had paid dividend on an annual basis in consecutively 14 financial years from 2006 to 2019 but no dividend was paid for the financial year ended 31 December 2020. There were distributable reserves of HK\$855,278,000 on the books of the Company as at 31 December 2020. The actual amount to be distributed to the Shareholders from the distributable profits of the Company after the Effective Date will be subject to the available cash at the relevant time when the Board determines the distribution.

In addition, the consideration for the SZMP Transfer (in case that the SZMP Transfer is approved by the Independent Shareholders) and dividends from SZMP to be received by Advance Investments (an indirect wholly-owned subsidiary of the Company) may not be distributed up from Advance Investments to the Company immediately, and in turn, further distribute to the Shareholders immediately after the Effective Date. Advance Investments will assess its cash, financial situation and cost (including additional withholding tax liabilities under the rules and regulations of the tax authorities of the PRC in case of distributing the dividends received from SZMP to its shareholders within one year from the receipt of the dividends) and consider whether to declare any distribution to its shareholders. Advance Investments did not declare dividend every year and the last dividend payment was an interim dividend for 2017 paid in the third quarter of 2017.

After the Effective Date and prior to the entering of the Shareholders' Agreement, the Offeror shall ensure the management of the Company to comply with the terms set out in the Framework Agreement.

(b) SZMP Transfer

Pursuant to the Framework Agreement, the Offeror and Zhangjiang Hi-Tech agreed that they shall procure the board of SZMP to engage a valuation firm as approved by the State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, the PRC to conduct a valuation on SZMP (with the relevant valuation date as at 31 March 2021 (or such other subsequent dates as the Offeror and Zhangjiang Hi-Tech may agree in writing)) and the valuation shall be completed on or before 7 June 2021 (or such other subsequent dates as the Offeror and Zhangjiang Hi-Tech may agree in writing). The valuation firm will be independent of and not acting in concert with the Offeror and the Offeror Concert Parties (including Zhangjiang Hi-Tech). The Company, Zhangjiang Hi-Tech and SZMP have engaged the Valuer to conduct the valuation on SZMP and the valuation report is set out in Appendix II to this Scheme Document.

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The parties to the Framework Agreement also agreed to ensure that the transfer price for Advance Investments (an indirect wholly-owned subsidiary of the Company) to transfer part of the interests in SZMP held by it (representing approximately 10.503% of the registered capital of SZMP) to Zhangjiang Hi-Tech should be not more than a pro-rata amount to be calculated based on the amount of valuation. It is provided in the Framework Agreement that Advance Investments and Zhangjiang Hi-Tech shall negotiate in good faith and enter into a sale and purchase agreement within sixty (60) days (or such other time as the parties may agree in writing) after the Effective Date or the Proposal having lapsed or not becoming unconditional, subject to all necessary approvals required under the Listing Rules, the Takeovers Code and applicable laws and regulations in respect of the SZMP Transfer having been obtained.

The Framework Agreement is legally binding immediately upon signing and shall terminate when the Proposal shall lapse or not become unconditional.

After the completion of the SZMP Transfer, SZMP will be held as to approximately 26.517% by Advance Investments (an indirect wholly-owned subsidiary of the Company), approximately 60% by Zhangjiang Hi-Tech and approximately 13.483% by an indirect wholly-owned subsidiary of Tomson. SZMP will become a subsidiary of Zhangjiang Hi-Tech and remain an associate of the Company.

Based on the valuation report of SZMP, the market value of the entire equity interests in SZMP is RMB4,227.16 million as at 31 March 2021. Hence, the market value of the 10.503% interests in the registered capital of SZMP held by Advance Investments is RMB443.98 million which shall be the transfer price for the SZMP Transfer. The Group expects the consideration to be settled in cash by Zhangjiang Hi-Tech.

Information on SZMP

SZMP is a limited liability company established in the PRC and is held as to approximately 37.020% by Advance Investments (an indirect wholly-owned subsidiary of the Company), approximately 49.497% by Zhangjiang Hi-Tech and approximately 13.483% by an indirect wholly-owned subsidiary of Tomson (which is ultimately beneficially owned as to approximately 33.52% by Madam Hsu excluding the deemed interests held through the Company). SZMP is principally engaged in residential, office and commercial property development and investment in Shanghai, the PRC. SZMP derived its revenue mainly from leasing of property projects in Zhangjiang Hi-Tech Park, Pudong New Area of Shanghai and from sale of car parking spaces in Shanghai in last three years.

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As at the Latest Practicable Date, SZMP was an associated company of the Company and the results of which were not consolidated in the results of the Group. As disclosed in the annual report of the Company for the years ended 31 December 2019 and 2020, SZMP recorded a net profit of approximately HK\$123,760,000 for the year ended 31 December 2019 and approximately HK\$145,517,000 for the year ended 31 December 2020 which were based on the annual accounts of SZMP audited in accordance with the PRC GAAP by BDO China Shu Lun Pan Certified Public Accountants LLP with the Group's audited adjustments. The Group shared a profit of approximately HK\$45,791,000 for the year ended 31 December 2019 and approximately HK\$53,841,000 for the year ended 31 December 2020. The Group received net dividends in the amount of approximately HK\$40.31 million from SZMP in 2020. The Group is expected to receive net dividends in the amount of approximately RMB50.26 million (equivalent to approximately HK\$60.26 million converted at an exchange rate of RMB1 to HK\$1.19888, based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date, for illustration purpose) from SZMP in the second half of 2021.

Reasons for the Rollover Arrangement and the SZMP Transfer

The results of SZMP have been the major source of profit of the Group and SZMP has contributed a significant amount of dividend to the Group. Being a shareholder of SZMP, Zhangjiang Hi-Tech has been a major business partner of the Group. Since Zhangjiang Hi-Tech is the key operator of Zhangjiang Hi-Tech Park, a national high technology park in Pudong New Area of Shanghai, the PRC, it could help SZMP and the Group to identify investment opportunities in Shanghai and to strengthen the relationship with the local government authorities.

In view of the long term cooperation with Zhangjiang Hi-Tech and its significant presence in the Zhangjiang Hi-Tech Park and as Zhangjiang Hi-Tech and the Company (through its indirect wholly-owned subsidiary) will continue to be shareholders of SZMP, the Offeror considers that it would be beneficial to allow the Rollover Shareholder (an indirect wholly-owned subsidiary of Zhangjiang Hi-Tech) to retain its shareholding in the Company after the Scheme becoming effective. Zhangjiang Hi-Tech is also keen to keep its interests in the Shares through the Rollover Shareholder. Given the factors in the paragraphs headed "10. Reasons for and benefits of the Proposal" stated below, the Offeror considers that it is the best way to put forward the Proposal to offer an assured exit to the Scheme Shareholders while the Offeror, the Offeror Concert Parties (excluding Cosmos Success) and the Rollover Shareholder will remain as the Shareholders after the Scheme becoming effective. Given the purpose of the Rollover Arrangement is to retain the Rollover Shareholder as a Shareholder after the Scheme becomes effective and during the discussion of the Rollover Arrangement, Zhangjiang Hi-Tech also expressed its preference towards having the SZMP Transfer (irrespective of whether the Scheme shall become effective or not) as it intended to further develop the business of SZMP and the SZMP Transfer will facilitate such purpose. If the Offeror refuses to propose the SZMP Transfer, the Rollover Shareholder will not proceed with the Rollover Agreement. Without the support of the Rollover Shareholder, the Offeror is not able to put forward the Proposal and the Scheme.

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SZMP owns a land bank in Zhangjiang Hi-Tech Park in Pudong New Area of Shanghai for development of Phase 2 of ZJ Legend. Under the proposed development plan, Phase 2 of ZJ Legend will be developed into a composite project for office, commercial and cultural purposes with a total gross floor area of approximately 60,900 square meters (subject to payment of additional land premium which will be determined after the development of Phase 2 of ZJ Legend has obtained approval from relevant authorities in the PRC). Phase 1 of ZJ Legend had an occupancy rate of approximately 82% as at 31 December 2020 and the income generated from Phase 1 of ZJ Legend accounted for approximately 9.97% of the turnover of SZMP for the year ended 31 December 2020. It is expected that the development of Phase 2 of ZJ Legend will bring additional income sources to SZMP and increase its profitability. SZMP has been in regular contact with the relevant government authorities in Shanghai, the PRC over the past five years and has been monitoring policy development so as to try to push ahead with the preparation works of the development of the Phase 2 of ZJ Legend. However, there has not been any material progress in the five year period and the development of Phase 2 of ZJ Legend is currently on hold.

If the SZMP Transfer shall be approved, SZMP will become majority-owned by and a subsidiary of Zhangjiang Hi-Tech which will take the lead to operate SZMP. As a government district majority owned entity, it is believed that SZMP will have better access to and communication with the local government authorities to promote and facilitate the development of Phase 2 of ZJ Legend and the development could proceed in due course. In addition, Zhangjiang Hi-Tech, being an entity under the governance of the State-owned Assets Supervision and Administration Commission of the Pudong New Area of Shanghai, is listed on the Shanghai Stock Exchange. Zhangjiang Hi-Tech is principally engaged in and experienced in property development and investment in the PRC. Since the development of Phase 1 of ZJ Legend, Zhangjiang Hi-Tech has further developed the neighbourhood of ZJ Legend. If Phase 2 of ZJ Legend can be developed, it is expected that it could benefit from the existing development of Zhangjiang Hi-Tech Park by Zhangjiang Hi-Tech. Zhangjiang Hi-Tech, after becoming the majority shareholder of SZMP, will also devote more effort and resources to promote and expedite the development of SZMP, in particular, Phase 2 of ZJ Legend.

Given the experience, position and network of Zhangjiang Hi-Tech in Pudong New Area of Shanghai, the Offeror considers that even though the interests of the Group in SZMP will be reduced after the completion of the SZMP Transfer, SZMP would be in a better position for rapid development with Zhangjiang Hi-Tech becoming the majority shareholder which may facilitate the business development and enhance its competitiveness, especially with the development of the Phase 2 of ZJ Legend, and the Company could benefit from the potential further business growth in SZMP as a result. In view of the above, the SZMP Transfer will be in the interest of the Company irrespective of whether the Scheme shall become effective or not. From the perspective of the Company, the implementation of the SZMP Transfer would allow the Group to realize approximately 10.503% interests in the registered capital of SZMP based on the independent valuation on SZMP, thereby sheltering the Group from any future business risk or downside that may be suffered by SZMP, irrespective of the outcome of the Proposal, and still retaining a significant interest in and continuing to account for its investment in SZMP as an associated company.

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Independent Shareholders' Approval

The Rollover Agreement was only entered into by and between the Offeror and the Rollover Shareholder and the Framework Agreement was only entered into between the Offeror and Zhangjiang Hi-Tech. As the Rollover Arrangement and the proposed arrangements contemplated under the Framework Agreement are not offered to all Shareholders, the Rollover Arrangement and the SZMP Transfer contemplated under the Framework Agreement constitute special deals and require the consent of the Executive under Rule 25 of the Takeovers Code.

The Offeror has made an application for consent from the Executive to the Special Deals conditional on (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned, and (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals.

Accordingly, as set out in Condition (e), the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Special Deals are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve the Special Deals; and (iii) the grant of consent from the Executive in respect of the Special Deals.

All material information relating to the Framework Agreement and the Rollover Agreement has already been disclosed in this Scheme Document and no material relevant information has been withheld. All material terms of the Framework Agreement and the Rollover Agreement, including those disclosed in the Announcement, the valuation report of SZMP and the consideration in respect of the SZMP Transfer, have been disclosed in this Scheme Document. There will not be material changes to the terms of the Framework Agreement and the Rollover Agreement, and the terms of the Shareholders' Agreement and the definitive sale and purchase agreement in relation to the SZMP Transfer will not have material deviation from such terms. Save as disclosed in this Scheme Document, there will not be any other terms which will confer special benefit on Zhangjiang Hi-Tech and/or the Rollover Shareholder that will not be extended to the Scheme Shareholders, and they will not receive any benefits and/or considerations in whatever form under the Scheme other than those disclosed in this Scheme Document.

5. ARRANGEMENTS MATERIAL TO THE PROPOSAL

As at the Latest Practicable Date:

- (a) other than the Special Deals, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares which might be material to the Proposal;
- (b) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and

EXPLANATORY STATEMENT

- (c) save that the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong have indicated that they will, and Madam Hsu will direct the Nominee Shareholders to, vote in favour of the special resolution(s) on the reduction of share capital of the Company and the implementation of the Scheme to be proposed at the General Meeting and the Rollover Shareholder has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules, and applicable laws and regulations, that they will vote in favour of all resolutions which are necessary to implement the Scheme proposed at the General Meeting, and shall take all actions necessary to implement the Scheme, neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.

Under the terms of the Proposal, the Scheme Shareholders will not be entitled to receive any dividend declared or paid with a record date after the date of this Scheme Document unless the Proposal lapses or the Scheme is otherwise terminated. The Company did not and does not intend to declare or pay any dividend or any form of distributions on or before (i) the Effective Date or (ii) the date on which the Proposal lapses or the Scheme is otherwise terminated (whichever is earlier).

6. SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the High Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the High Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the High Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the High Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the High Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all Disinterested Shares in the company or of the class in the company, as the case may be.

As at the Latest Practicable Date, all the 908,114,054 Scheme Shares (representing approximately 34.81% of the total issued Shares) were considered Disinterested Shares within the meaning of section 674(3)(a) of the Companies Ordinance.

EXPLANATORY STATEMENT

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

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of 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 Independent Shareholders.

For the purpose of counting the votes for (a) and (b) above, Independent Shareholders comprise all Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 652,437,728 Scheme Shares. On that basis, 10% of the votes attached to all the Scheme Shares referred to in (b) above therefore represent 65,243,773 Shares (rounded up to the nearest number of Shares) as at the Latest Practicable Date.

8. BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on the Company and all Shareholders.

If the Scheme becomes effective:

- (a) all the Scheme Shares will be cancelled whereupon the share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (b) the share capital of the Company will then be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the credit arising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares created and such new Shares will be so allotted and issued, credited as fully paid, to the Offeror; and
- (d) the Offeror will pay the Cancellation Price of HK\$0.65 in cash to the Scheme Shareholders for each Scheme Share held by them on the Scheme Record Date.

EXPLANATORY STATEMENT

9. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) there were 2,608,546,511 Shares in issue;
- (b) the Offeror owned 396,878,888 issued Shares, representing approximately 15.21% of the total issued Shares;
- (c) Madam Hsu (herself and through Nominee Shareholders), an Offeror Concert Party, owned a total of 317,178,162 issued Shares (representing approximately 12.16% of the total issued Shares);
- (d) Mr. Albert Tong, an Offeror Concert Party, owned 103,210,000 issued Shares (representing approximately 3.96% of the total issued Shares);
- (e) Mr. Charles Tong, an Offeror Concert Party, owned 103,210,000 issued Shares (representing approximately 3.96% of the total issued Shares);
- (f) the Rollover Shareholder, an Offeror Concert Party, owned 779,955,407 issued Shares (representing approximately 29.90% of the total issued Shares);
- (g) Cosmos Success, an Offeror Concert Party, owned 255,676,326 issued Shares (representing approximately 9.80% of the total issued Shares);
- (h) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (i) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company; and
- (j) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the Scheme Shares, comprising 908,114,054 issued Shares, represented approximately 34.81% of the total issued Shares.

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On the assumption that there is no change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>
Offeror and Offeror Concert Parties				
Offeror	396,878,888	15.21	1,304,992,942	50.02
Madam Hsu ⁽¹⁾	317,178,162	12.16	317,178,162	12.16
Mr. Albert Tong	103,210,000	3.96	103,210,000	3.96
Mr. Charles Tong	103,210,000	3.96	103,210,000	3.96
<i>Sub-total of the Tong Family and the Offeror</i>	920,477,050	35.29	1,828,591,104	70.10
Rollover Shareholder ⁽²⁾	779,955,407	29.90	779,955,407	29.90
Cosmos Success ⁽³⁾	255,676,326	9.80	–	–
<i>Sub-total of the Offeror and the Offeror Concert Parties</i>	1,956,108,783	74.99	2,608,546,511	100.00
Independent Shareholders				
Independent Shareholders	652,437,728	25.01	–	–
Total number of Shares	2,608,546,511	100.00	2,608,546,511	100.00

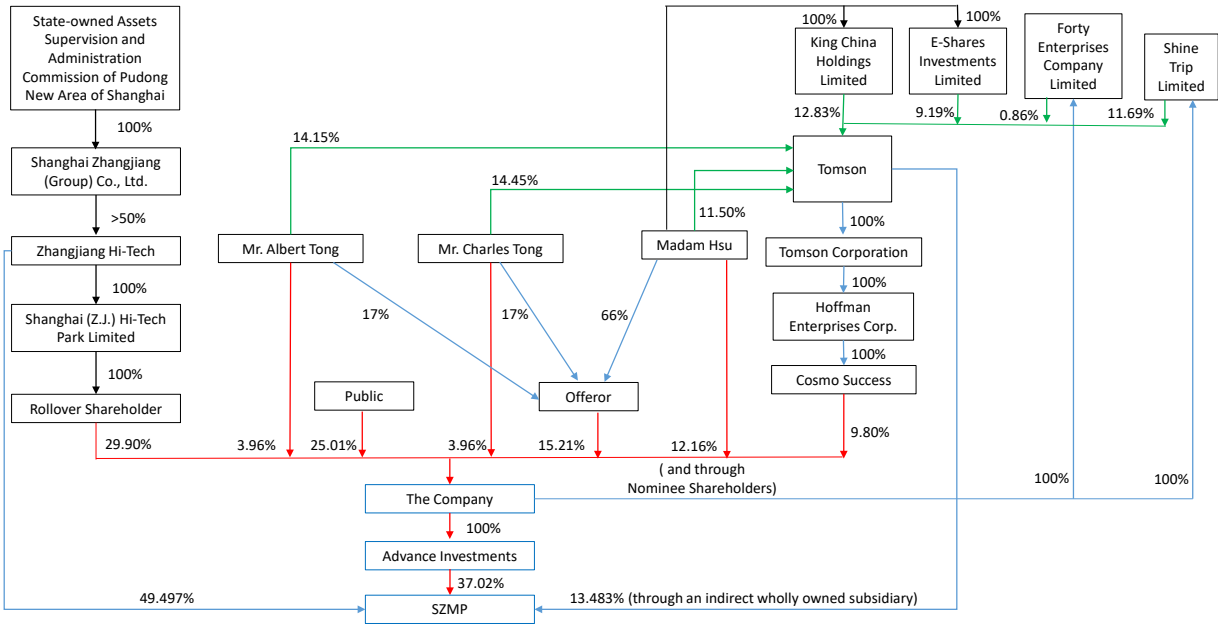
Notes:

1. As at the Latest Practicable Date, part of these Shares was held by Nominee Shareholders as nominees for Madam Hsu.
2. As at the Latest Practicable Date, these Shares were beneficially held by the Rollover Shareholder, an indirect wholly-owned subsidiary of Zhangjiang Hi-Tech.
3. As at the Latest Practicable Date, these Shares were beneficially held by Cosmos Success, an indirect wholly-owned subsidiary of Tomson.
4. All percentages in the above table are approximations.

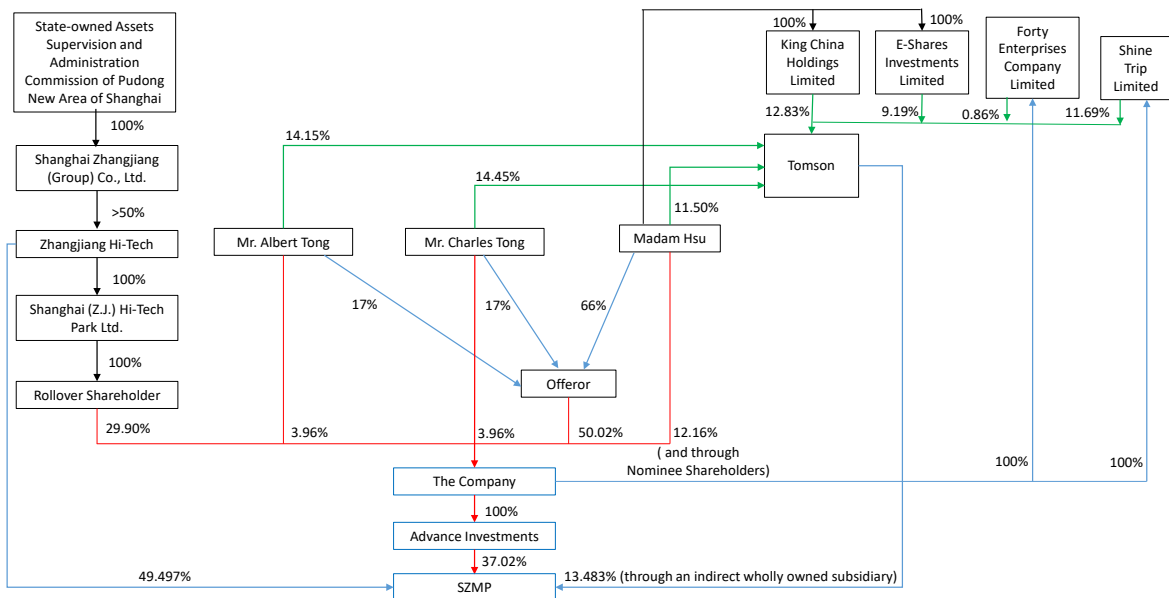
EXPLANATORY STATEMENT

As at the Latest Practicable Date, the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued Shares of 2,608,546,511 Shares.

The chart below sets out the shareholding structure of the Company as at the Latest Practicable Date:



The chart below sets out the shareholding structure of the Company immediately upon completion of the Proposal (assuming no new Shares will be issued prior thereto) and before the completion of the SZMP Transfer:



EXPLANATORY STATEMENT

10. REASONS FOR AND BENEFITS OF THE PROPOSAL

Non-compliance with Rule 13.24 of the Listing Rules

Property development and investment as well as securities trading and investment have been the principal activities of the Group for over ten years. However, the Group has not undertaken any new property projects directly after completion of its residential property project in Shanghai in 2006 and majority of the gross proceeds from operations were generated from the securities trading and investment business since 2008 after recognition of the sale proceeds of the aforesaid residential property project in 2007. Rule 13.24 of the Listing Rules was amended and became effective in October 2019 (with a transitional period of 12 months). Under the amended Rule 13.24(2) of the Listing Rules, proprietary trading and/or investment in securities by an issuer and its subsidiaries (other than an issuer which is an investment company listed under Chapter 21 of the Listing Rules) are normally excluded when considering whether the issuer can meet the requirement of sufficient level of operation and assets of sufficient value to support its operations to warrant continued listing of the Company as set out in Rule 13.24(1) of the Listing Rules. In view of such change in the Listing Rules, income derived from securities trading and investment business, which has always been one of the principal sources of profit of the Group, is therefore excluded when considering the Company's compliance with Rule 13.24 of the Listing Rules.

In order to demonstrate compliance with Rule 13.24 of the Listing Rules, the Company has submitted an expansion plan of the Group's property development and investment business to the Stock Exchange, which included a proposal to expand the Company's current business (of selling and leasing car parking spaces in Shanghai) to commercial properties in Hong Kong, the PRC (in particular Shanghai) and the U.K. (in particular Central London) markets. Despite the Company's effort in formulating expansion plan to demonstrate compliance with Rule 13.24 of the Listing Rules, the Stock Exchange considered that the expansion plan lacked credibility, appeared unrelated and bore little resemblance to the nature and scale of the Company's existing business of leasing the car parking spaces in Shanghai. The Company received the Letter on 18 January 2021 notifying the Company of the decision of the Stock Exchange that the Company has failed to comply with Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares. For details, please refer to the announcement dated 18 January 2021 issued by the Company in this regard.

Pursuant to Rule 2B.06(1) of the Listing Rules, the Company has the right to refer the Decision to the Listing Committee (as defined in the Listing Rules) for review. In view of the Proposal and after taking into account the difficulties of running the Group's securities trading and investment business in compliance with the Listing Rules and the uncertainty of expanding the Group's property development and investment business under current market conditions, and despite the Company has different point of view on the Decision and considered that the Decision as undesirable, the Company has decided not to make a request for the Decision to be referred to the Listing Committee for review and the Company has not taken any action to identify investment opportunities since the Announcement Date. By way of reference, as confirmed by the Company, the previous expansion plan of the Group, which has been submitted to the Stock Exchange and was not accepted by the Stock Exchange, involved proposed investments of approximately HK\$1 billion. Under the circumstances and in the interest of providing the Independent Shareholders an opportunity of disposing the Shares, the Board has resolved to put forward the Proposal being made by the Offeror for the Independent Shareholders' consideration.

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In light of the Proposal, the Stock Exchange considers it appropriate to delay the trading suspension requirement of Rule 6.01(3) of the Listing Rules such that the trading of the Shares may continue whilst the Proposal is underway.

If the Proposal does not materialise for whatever reasons, the Stock Exchange will consider an immediate application of the trading suspension requirement of Rule 6.01(3) of the Listing Rules. The Stock Exchange may cancel the listing of the Shares if the trading has been suspended for a continuous period of 18 months pursuant to Rule 6.01A(1) of the Listing Rules. The Board is aware of the need for the Company to submit a fresh business expansion proposal to the Stock Exchange which would necessarily entail making substantial investments within a short period of time, with the view to comply with Rule 13.24 of the Listing Rules so as to warrant the continued listing of the Shares. In the meanwhile, and facing with the uncertain market environment, the Company has yet to recalibrate and adjust the business plan of the Group, nor has it encountered any suitable investments or business diversification opportunities. While there are no suitable investment opportunities, it is expected that there will be a need to make very substantial investment to retain listing status should the Proposal not materialise for whatever reasons.

Notwithstanding the imminent risk of trading suspension of the Shares and the prospect of delisting, the Offeror considers that the Proposal could provide the Scheme Shareholders with an attractive and special opportunity to exit and realise their investments and interests in the Company for cash.

Low liquidity of Shares

The liquidity of Shares has been at a relatively low level over a prolonged period of time. Following the closing of the voluntary unconditional general cash offer of HK\$0.55 per Share which was closed on 25 February 2019, the trading liquidity has remained low, with an average daily trading volume of approximately 1.5 million Shares from the month of March 2019 up to and including the Latest Practicable Date, representing approximately 0.056% of the total issued Shares as at the Latest Practicable Date. Low trading liquidity of Shares renders it difficult for the Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

Further, the Directors (including members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) believe that such low liquidity hinders the Company's ability to raise funds from the public equity market, which no longer serves as a viable source of funding for developing the Group's business.

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Attractive opportunity to realise investments

The Proposal is intended to provide the Scheme Shareholders with an attractive opportunity to realise their investments and interests in the Company for cash at a premium. The Cancellation Price represents a premium of approximately (i) 62.50% over the closing price of the Shares on the last trading day prior to the Offer Period Commencement Date; (ii) 12.07% over the closing price of the Shares on the Last Trading Day; (iii) 15.04% over the average closing price of the Shares for the ten (10) trading days up to and including the Last Trading Day; (iv) 26.34% over the average closing price of the Shares for the thirty (30) trading days up to and including the Last Trading Day; (v) 54.52% over the average closing price of the Shares for the ninety (90) trading days up to and including the Last Trading Day; and (vi) 3.17% over the closing price of the Shares for the 52-week closing high on each of the trading days during the period from 24 May 2021 to 28 May 2021 and each of the trading days during the period from 1 June 2021 to 22 June 2021, respectively.

Cost reduction from the saving of cost of listing and cost of investor relations

The withdrawal of listing of the Shares on the Stock Exchange would reduce the costs and management resources associated with the maintenance of the Company's listing status on the Stock Exchange, and therefore the withdrawal of listing of the Shares on the Stock Exchange is expected to result in a more efficient and cost-effective group structure and create more flexibility for the Group to manage its business in an efficient and sustainable manner.

11. INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES

The Offeror

The Offeror is an investment holding company incorporated in Hong Kong on 10 May 2005 with limited liability. It is legally and beneficially owned as to 66% by Madam Hsu, 17% by Mr. Albert Tong and 17% by Mr. Charles Tong. Each of Madam Hsu, Mr. Albert Tong and Mr. Charles Tong is also a director of the Offeror. The Offeror is used by the Tong Family for the sole purpose of holding the Shares and, as at the Latest Practicable Date, the Offeror owned 396,878,888 issued Shares, representing approximately 15.21% of the total issued Shares. Save as disclosed, the Offeror does not hold any assets or liabilities nor carry on any business.

Madam Hsu

Madam Hsu, aged 70, (herself and through Nominee Shareholders) owns 317,178,162 issued Shares (representing approximately 12.16% of the total issued Shares). Excluding the deemed interests in the share capital of Tomson through the Group under the SFO, Madam Hsu is also entitled to control and exercise of approximately 33.52% of the voting rights of Tomson. Madam Hsu is the mother of Mr. Albert Tong and Mr. Charles Tong. She is acting in concert with Mr. Albert Tong and Mr. Charles Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of the Offeror and Tomson being controlled by her and her close relatives, and she is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement.

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Madam Hsu has joined the Board and the Tomson Board since January 1990 and is an executive director of both the Company and Tomson. She has also been appointed (i) the chairman of the executive committee of the Board since August 2005, and a director of a number of subsidiaries of the Company since December 2003; and (ii) the managing director of Tomson since December 2001, the chairman of the executive committee of the Tomson Board since June 2005 and a director of a number of subsidiaries of Tomson since January 1990. She was elected as the chairman of the Tomson Board since December 2006. She has over ten years' experience in film production, and in property development and investment as well as retail industry in Taiwan, and has been engaged in the property development, hospitality and leisure business in the PRC for nearly thirty years. She is also the Honorary Consul of the Principality of Monaco in Shanghai, the PRC.

Mr. Albert Tong

Mr Albert Tong, aged 38, owns 103,210,000 issued Shares (representing approximately 3.96% of the total issued Shares). Mr. Albert Tong is also entitled to control and exercise of approximately 14.15% of the voting rights of Tomson. Mr. Albert Tong is a son of Madam Hsu and the younger brother of Mr. Charles Tong, and he is acting in concert with Madam Hsu and Mr. Charles Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of Tomson and the Offeror being controlled by him and his close relatives, and he is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement.

He has been appointed (i) an executive Director since March 2001, a member of the executive committee of the Board since August 2005 and a director of a number of the subsidiaries of the Company since March 2001; and (ii) an executive director of Tomson since December 2001, a member of the executive committee and remuneration committee of the Tomson Board since June 2005 and a director of a number of the subsidiaries of Tomson since March 2001. He was elected the vice-chairman of the Tomson Board since December 2006. He has actively participated in business development, corporate management, property trading and securities investment for last twenty years.

Mr. Charles Tong

Mr Charles Tong, aged 40, owns 103,210,000 issued Shares (representing approximately 3.96% of the total issued Shares). Mr. Charles Tong is also entitled to control and exercise of approximately 14.45% of the voting rights of Tomson. Mr. Charles Tong is a son of Madam Hsu and the elder brother of Mr. Albert Tong, and he is acting in concert with Madam Hsu and Mr. Albert Tong and is presumed under the Takeovers Code to be acting in concert with the Offeror, Cosmos Success and Tomson by virtue of Tomson and the Offeror being controlled by him and his close relatives, and he is acting in concert with Zhangjiang Hi-Tech and the Rollover Shareholder by virtue of the Rollover Arrangement.

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He has been appointed (i) an executive Director and a member of the executive committee of the Board since August 2019; and (ii) an executive director of Tomson and a member of the executive committee of the Tomson Board since October 2008, and was elected as the vice-chairman of the Tomson Board since December 2010. He has joined the Tomson Group since December 2000 and has participated in property trading and business management of the Shanghai office of the Tomson Group. He now principally engages in property development and trading business in the PRC. In addition, he was a member of the 13th Tianjin Municipal Committee of the Chinese People's Political Consultative Conference during the period from January 2013 to January 2018.

Tomson

Tomson is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 258). Tomson is principally engaged in, inter alia, property development and investment as well as hospitality and leisure business in Shanghai, the PRC. As at the Latest Practicable Date, Tomson through Cosmos Success, an indirect wholly-owned subsidiary, held 255,676,326 issued Shares, representing approximately 9.80% of the total issued Shares and through another indirect wholly-owned subsidiary also held approximately 13.483% of the interests in SZMP which is an associated company of the Company.

As at the Latest Practicable Date, (i) excluding the deemed interests in the share capital of Tomson through the Group under the SFO, based on the published information in respect of Tomson, the Tong Family was interested in, directly and indirectly, a total of 1,224,489,885 ordinary shares in Tomson, representing approximately 62.12% of the issued ordinary shares of Tomson, and (ii) the Company (through two indirect wholly-owned subsidiaries) was interested in 247,300,000 ordinary shares in Tomson in aggregate, representing approximately 12.55% of the issued ordinary shares of Tomson. Tomson is a party presumed under the Takeovers Code to be acting in concert with the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong by virtue of Tomson and the Offeror being controlled by Madam Hsu and her close relatives.

Zhangjiang Hi-Tech and the Rollover Shareholder

Zhangjiang Hi-Tech is a company listed on the Shanghai Stock Exchange, which is principally engaged in property development and investment in the PRC. The Rollover Shareholder is an indirect wholly-owned subsidiary of Zhangjiang Hi-Tech and is principally engaged in investment holding. As at the Latest Practicable Date, the Rollover Shareholder held 779,955,407 issued Shares, representing approximately 29.90% of the total issued Shares. Zhangjiang Hi-Tech and the Rollover Shareholder are acting in concert with the Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong by virtue of the Rollover Arrangement. As at the Latest Practicable Date, Zhangjiang Hi-Tech held 49.497% of the interests in SZMP which is an associated company of the Company.

EXPLANATORY STATEMENT

12. INTENTIONS OF THE OFFEROR WITH REGARD TO THE COMPANY

The Group is engaged in property development and investment, and securities trading and investment.

As disclosed in the paragraphs headed “4. Special Deals relating to Rollover Agreement and Framework Agreement” above, it is intended that part of the Company’s interests in SZMP will be sold to Zhangjiang Hi-Tech no matter whether the Scheme will become effective subject to compliance with any applicable requirements under the Listing Rules, the Takeovers Code and applicable laws and regulations, and SZMP will remain an associated company of the Company after completion of the SZMP Transfer.

It is the intention of the Offeror that the securities trading and investment business of the Group may be terminated after the withdrawal of the listing of Shares from the Stock Exchange.

It was agreed in the Framework Agreement that, save for retaining HK\$50 million as the working capital of the Company, if the Company has any distributable profits or dividends, the Company shall distribute the same to the Shareholders in proportion to their respective shareholdings in the Company after the Effective Date, but there is no an agreed timeline for such distribution. Subject to the Shareholders’ Agreement to be entered into after the withdrawal of listing of the Shares if the Scheme becomes effective, the Company will consider dividend payment on or before 31 May every year. The Group had paid dividend on an annual basis in consecutively 14 financial years from 2006 to 2019 but no dividend was paid for the financial year ended 31 December 2020. There were distributable reserves of HK\$855,278,000 on the books of the Company as at 31 December 2020. The actual amount to be distributed to the Shareholders from the distributable profits of the Company after the Effective Date will be subject to the available cash at the relevant time when the Board determines the distribution.

In addition, the consideration for the SZMP Transfer (in case that the SZMP Transfer is approved by the Independent Shareholders) and dividends from SZMP to be received by Advance Investments (an indirect wholly-owned subsidiary of the Company) may not be distributed up from Advance Investments to the Company immediately, and in turn, further distribute to the Shareholders immediately after the Effective Date. Advance Investments will assess its cash, financial situation and cost (including additional withholding tax liabilities under the rules and regulations of the tax authorities of the PRC in case of distributing the dividends received from SZMP to its shareholders within one year from the receipt of the dividends) and consider whether to declare any distribution to its shareholders. Advance Investments did not declare dividend every year and the last dividend payment was an interim dividend for 2017 paid in the third quarter of 2017.

Save as disclosed above, it is the intention of the Offeror for the Group to maintain its existing business upon the privatisation of the Company and the Offeror has no plan to introduce any material changes to the business and/or assets of the Group, to redeploy its fixed assets or to discontinue the employment of employees of the Group as a result of the Proposal.

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On the other hand, if the Proposal is not approved, the Offeror together with the Tong's Family, as the controlling shareholder of the Company, shall procure the Board to maintain the current business of the Group and to make renewed efforts to comply with Rule 13.24 of the Listing Rules and to seek maintenance of listing of the Shares, with or without the implementation of the SZMP Transfer.

13. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. In that case, the Company does not intend to maintain its listing on the Stock Exchange and will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

The Scheme Shareholders will be notified by way of announcement of, among other things, the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in the "Expected Timetable" section of this Scheme Document.

14. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL 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 or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on the Offeror 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 twelve (12) months from the date on which the Proposal lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

15. COSTS OF THE SCHEME

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal (including costs for obtaining overseas counsels opinion on the despatch of this Scheme Document) will be shared between the Offeror and the Company equally, except that if the Independent Board Committee or the Independent Financial Adviser does not recommend the Scheme, or 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.

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16. GENERAL

The Offeror has engaged YXCL as its financial adviser in connection with the Proposal.

There are nine members of the Board comprising a non-executive chairman who is Madam Liu Ying; four executive Directors who are Madam Hsu, Mr. Albert Tong, Mr. Charles Tong and Mr. Zhao Haisheng; one non-executive Director who is Mr. Sung Tze-Chun; and three independent non-executive Directors who are Mr. Zhang Hong Bin, Mr. Tsang Kam Chuen and Mr. Ng Chi Him.

The Independent Board Committee, which comprises all the independent non-executive Directors, Mr. Zhang Hong Bin, Mr. Tsang Kam Chuen and Mr. Ng Chi Him, who are not involved in and/or interested in the Proposal, the Scheme and the Special Deals, has been formed to advise the Independent Shareholders on the Proposal, the Scheme and the Special Deals. Your attention is drawn to the recommendation of the Independent Board Committee as to whether the Proposal and the Special Deals are or are not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting and the General Meeting, which is set out in the “Letter from the Independent Board Committee” section of this Scheme Document. Madam Liu Ying, a non-executive Director, is not considered as independent for the purpose of giving advice or recommendation to the Independent Shareholders and is not a member of the Independent Board Committee as she is the chairman of the board, secretary of the party committee and the legal representative of Zhangjiang Hi-Tech, an Offeror Concert Party. Mr. Sung Tze-Chun, a non-executive Director, is not considered as independent for the purpose of giving advice or recommendation to the Independent Shareholders and is not a member of the Independent Board Committee as he is a consultant of Tomson, an Offeror Concert Party.

In addition, Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Special Deals. The appointment of Altus Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

The text of the letter of advice from Altus Capital containing its recommendations and the principal factors and reasons that it has taken into consideration in arriving at its recommendations is set out in the “Letter from the Independent Financial Adviser” section of this Scheme Document. We would advise you to read such letter of advice carefully before you take any action in respect of the Proposal and the Special Deals.

The Directors (including members of the Independent Board Committee) after taking into account the advice from the Independent Financial Advisor believe that the terms of the Proposal and the Special Deals are fair and reasonable and in the interests of the Shareholders as a whole.

There are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any of the Offeror Concert Parties and any other person in relation to shares of the Offeror or the Shares which might be material to the Proposal.

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As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

Save as contemplated under the Rollover Agreement, no irrevocable commitment to vote for or against the Scheme had been received by the Offeror or the Offeror Concert Parties, as at the Latest Practicable Date.

Associates of the Company or the Offeror (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

Having made reasonable enquiries prior to the Latest Practicable Date, the Offeror confirms that save for the Special Deals, there is no understanding, arrangement or agreement which has been determined to constitute a special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies. Further disclosures will be made by the Offeror and the Company as and when necessary.

17. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Tuesday, 17 August 2021, it is proposed that the Register will be closed from Wednesday, 11 August 2021 (or such other date as Shareholders may be notified by announcement) in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are lodged with the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. on Tuesday, 10 August 2021.

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 as at the Scheme Record Date as soon as possible but in any event within seven (7) Business Days following the Scheme having become effective. Assuming that the Scheme becomes effective on Thursday, 19 August 2021, cheques for payment of the Cancellation Price to the Scheme Shareholders will be despatched on or before Monday, 30 August 2021.

Cheques for the Cancellation Price will be sent by posting the same in 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 in respect of the joint holding. All such cheques will be sent by ordinary post at the risk of the person(s) entitled thereto and none of the Offeror, the Company, YXCL, Altus Capital or any of them will be responsible for any loss or delay in despatch.

Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

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On or after the day being six (6) calendar months after the posting of such cheques, the Offeror (or its nominee) 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 name of 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 (6) years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto. On the expiry of six (6) years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, the Register will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Thursday, 19 August 2021.

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 Shareholder.

18. OVERSEAS SHAREHOLDERS

General

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located.

Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders, wishing to take an action in relation to the Proposal, respectively, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, based on the Register, there were 24 Shareholders whose addresses as registered in the Register were outside Hong Kong, namely in Australia, Canada, Macau, New Zealand, the PRC, Singapore, Taiwan and the United States (the “**Overseas Jurisdictions**”).

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The Company has made enquiries with overseas legal advisers regarding the legal restrictions under the laws of and the requirements of the relevant regulatory body or stock exchange in these Overseas Jurisdictions in relation to extending the Scheme automatically or despatching this Scheme Document to those Shareholders with a registered address in the Overseas Jurisdiction. The Scheme will apply to and this Scheme Document will be despatched to those overseas Shareholders.

19. TAXATION

Hong Kong stamp duty and tax consequences

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong 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 recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Scheme and, in particular, whether the receipt of the Cancellation Price would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, YXCL and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme. All Scheme Shareholders and/or Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme.

20. COURT MEETING AND GENERAL MEETING

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). The Scheme will be subject to the approval by holders of Scheme Shares, whose names appear in the Register as at the Meeting Record Date, at the Court Meeting in accordance with the requirements imposed by section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code, and in the manner referred to in the paragraphs headed “3. Conditions of the Proposal” above in this Explanatory Statement.

Only Shareholders who qualify as both Independent Shareholders and holders of Disinterested Shares, and not one only, will be eligible to vote at the Court Meeting. As at the Latest Practicable Date, all the 908,114,054 Scheme Shares (representing approximately 34.81% of the total issued Shares) were considered as Disinterested Shares within the meaning of section 674(3)(a) of the Companies Ordinance where 652,437,728 Scheme Shares (representing approximately 25.01% of the total issued Shares) were held by Independent Shareholders. Madam Hsu, the Nominee Shareholders, Mr. Albert Tong, Mr. Charles Tong, Cosmos Success and the Rollover Shareholder, being Offeror Concert Parties, are not Independent Shareholders, and their Shares will not be voted at the Court Meeting.

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As at the Latest Practicable Date, except for (i) Madam Hsu (herself and through the Nominee Shareholders) who held 317,178,162 Shares; (ii) Mr. Albert Tong who held 103,210,000 Shares; and (iii) Mr. Charles Tong who held 103,210,000 Shares, none of the Directors had any shareholding or any interest (within the meaning of Part XV of the SFO) in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company.

Immediately following the conclusion of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to give effect to the Scheme, including the reduction of the share capital of the Company. All Shareholders whose names appear in the Register as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution at the General Meeting. The Offeror, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong have indicated that and the Rollover Shareholder has undertaken that they will vote and Madam Hsu will direct the Nominee Shareholders to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 11:00 a.m. on Friday, 23 July 2021 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong.

Notice of the General Meeting is set out in Appendix VI to this Scheme Document. The General Meeting will be held at 11:30 a.m. (or immediately after the Court Meeting convened for the same day and place shall have been concluded or adjourned) on Friday, 23 July 2021 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Thursday, 19 August 2021. Further announcements will be made giving details of the results of the Court Meeting and General Meeting; and if all the resolutions are passed at those meetings, the result of the Court Hearing, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of Shares on the Stock Exchange.

For precautionary measures to be taken at the Court Meeting and the General Meeting in respect of the COVID-19 pandemic, please refer to the “Precautionary Measures for the Court Meeting and the General Meeting” section of this Scheme Document.

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21. BENEFICIAL OWNERS

Beneficial Owners are urged to have their names entered in the Register as soon as possible and in any event according to the timing stated below for the following reasons:

- (a) (i) to enable the Beneficial Owners to become the Scheme Shareholders so that they can attend the Court Meeting in the capacity as members of the Company or to be represented by proxies to be appointed by them and (ii) to enable the Company to properly classify members of the Company as Scheme Shareholders who are entitled to attend and vote at the Court Meeting, the names of the Beneficial Owners would need to have been entered into the Register by the Meeting Record Date and appear on the Register on the Meeting Record Date; and
- (b) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the Beneficial Owners directly when the Scheme becomes effective, the names of the Beneficial Owners would need to have been entered into the Register by the Scheme Record Date and appear on the Register on the Effective Date.

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

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

EXPLANATORY STATEMENT

22. SUMMARY OF ACTIONS TO BE TAKEN

Action to be taken by Shareholders

Court Meeting and General Meeting

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the General Meeting, the Register will be closed from Monday, 19 July 2021 to Friday, 23 July 2021 (both days inclusive) and during such period no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, 16 July 2021.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers or transferee of the Shares will need to obtain the relevant forms of proxy form from the transferor if they wish to attend or vote at the Court Meeting and/or the General Meeting. Alternatively, copies of the forms of proxy can be: (a) obtained from the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; or (b) downloaded from the website of either HKEx at <https://www.hkexnews.hk> or the Company at <http://www.rivera.com.hk>.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any subsequent adjournment thereof in person, the Scheme Shareholders are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and the Shareholders are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The **pink** forms of proxy may also be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll.

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In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 24 hours before the time appointed for holding the Court Meeting or any adjournment thereof, or handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll. The white form of proxy for use at the General Meeting should be lodged no later than 24 hours before the time appointed for holding the General Meeting or any adjournment thereof. The completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be deemed to have been revoked.

The Company strongly urges the Shareholders, particularly Shareholders who are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong in relation to COVID-19, to complete, sign and return the enclosed form of proxy in respect of the Court Meeting and/or the General Meeting pursuant to which you may appoint any person or the respective chairman of the Court Meeting and/or the General Meeting as a proxy to vote on the resolution(s).

For precautionary measures to be taken at the Court Meeting and the General Meeting in respect of the COVID-19 pandemic, please refer to the “Precautionary Measures for the Court Meeting and the General Meeting” section of this Scheme Document.

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

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting on Friday, 23 July 2021. If all the resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing and, if the Scheme is sanctioned, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange as required under the Takeovers Code and the Listing Rules.

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Actions to be taken by Beneficial Owners whose Shares are held through a trust or deposited in CCASS

The Company will not recognise any person as holding any Shares upon any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his form of proxy and to submit it by the deadline stated in “Actions to be Taken” section of this Scheme Document. 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 aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

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

- (a) 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 General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy will be deemed to have been revoked.

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If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with, other CCASS Participants regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees with respect to the Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

HKSCC Nominees may also vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the “General Rules of CCASS”).

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

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GIVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR AT THE COURT HEARING EXPECTED TO BE ON TUESDAY, 17 AUGUST 2021, AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

23. RECOMMENDATION

Your attention is drawn to the following:

- (a) the paragraphs headed “Recommendation” in the “Letter from the Board” section of this Scheme Document;

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- (b) the letter from the Independent Board Committee set out in the “Letter from the Independent Board Committee” section of this Scheme Document; and
- (c) the letter from Altus Capital set out in the “Letter from Independent Financial Adviser” section of this Scheme Document.

24. FURTHER INFORMATION

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

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, YXCL or Altus Capital or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

25. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This Scheme Document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Scheme Document include statements about the expected effects on the Company of the Proposal, the expected timing and scope of the Proposal, and all other statements in this Scheme Document other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or the Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or the Group operate and regional or general changes in asset valuations and disruptions or reductions in travel and operations due to natural or man-made disasters, pandemics, epidemics or outbreak of infections or contagious diseases such as novel coronavirus. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

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All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date.

Any forward-looking statement contained in this Scheme Document based on past or current trends and/or activities of the Company should not be taken as a representation that such trends or activities will continue in the future. No statement in this Scheme Document is intended to be a profit forecast or to imply that the earnings or losses of the Company for the current year or future years will necessarily match or exceed their respective historical or published earnings or losses. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, each of the Offeror and the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

26. PREVAILING TEXT

In case of any inconsistency, save for the valuation report set out in the Appendix II to this Scheme Document, the English texts of this Scheme Document and the enclosed forms of proxy shall prevail over their respective Chinese texts. For the valuation report set out in the Appendix II to this Scheme, in case of any inconsistency, the Chinese text of Appendix II shall prevail over its English text.

In case of any inconsistency between “Explanatory Statement” section of and “Appendix IV – The Scheme” to this Scheme Document, the latter shall prevail.

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”) and 2020 (the “2020 Annual Report”).

The independent auditors’ reports issued by Deloitte Touche Tohmatsu in respect of the consolidated financial statements of the Group for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of the Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		
	2018	2019	2020
	HK\$’000	HK\$’000	HK\$’000
Gross proceeds from operations	219,662	181,421	109,068
Revenue	38,119	1,556	1,657
Cost of sales	(2,457)	(297)	(238)
Gross profit	35,662	1,259	1,419
Dividends from equity instruments at fair value through other comprehensive income	100,172	44,514	27,203
Other income	18,978	22,717	13,593
Selling expenses	(367)	(13)	(14)
Administrative expenses	(13,473)	(13,543)	(12,822)
Other gains and losses	(1,177)	(566)	(8,982)
Net gain (loss) on financial assets at fair value through profit or loss	7,497	14,772	(55,950)
	147,292	69,140	(35,553)
Share of results of an associate	47,299	45,791	53,841
Profit before taxation	194,591	114,931	18,288
Taxation	(17,609)	(3,046)	(3,644)
Profit for the year	176,982	111,885	14,644

	For the year ended 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company	177,053	111,747	15,229
Non-controlling interests	(71)	138	(585)
	<u>176,982</u>	<u>111,885</u>	<u>14,644</u>
Earnings per share (HK cents) ^(Note)			
– Basic	<u>6.79</u>	<u>4.28</u>	<u>0.58</u>
Dividend per share	0.04	0.04	Nil
Total comprehensive (expense) income attributable to:			
Owners of the Company	(173,874)	27,690	61,303
Non-controlling interests	(2,613)	(42)	(225)
	<u>(176,487)</u>	<u>27,648</u>	<u>61,078</u>
Total dividend for the year	104,342	104,342	Nil

Note:

No diluted earnings per share is presented as there was no dilutive ordinary share outstanding during the years ended 31 December 2018, 2019 and 2020.

Except as disclosed in the above summary of the audited consolidated financial results, there were no items of income or expenses which are material in the consolidated financial statements of the Group in any of the years ended 31 December 2018, 2019, and 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS

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 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**”); (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 are set out on pages 66 to 134 of the 2018 Annual Report, which was published on 25 April 2019. The Annual Report 2018 is posted on the Company’s website at <http://www.rivera.com.hk>. Please also see below a direct link to the 2018 Annual Report:

http://www.rivera.com.hk/file/financial_report/eng/E_00281_AR_2018.pdf

The 2019 Financial Statements are set out on pages 70 to 134 of the 2019 Annual Report, which was published on 28 April 2020. The Annual Report 2019 is posted on the Company’s website at <http://www.rivera.com.hk>. Please also see below a direct link to the 2019 Annual Report:

http://www.rivera.com.hk/file/financial_report/eng/E_00281_AR_2019.pdf

The 2020 Financial Statements are set out on pages 70 to 137 of the 2020 Annual Report, which was published on 28 April 2021. The 2020 Annual Report is posted on the Company’s website at <http://www.rivera.com.hk>. Please also see below a direct link to the 2020 Annual Report:

http://www.rivera.com.hk/file/financial_report/eng/E_00281_AR_2020.pdf

The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, apart from normal account payables in ordinary course of business, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges or loans or hire purchase commitments, guarantees or contingent liabilities.

4. MATERIAL CHANGE

Save and except for the following, there was no material change in the financial or trading position or outlook of the Company since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

- (a) Based on the valuation of SZMP as at 31 March 2021, SZMP's equity interest is valued at approximately RMB4,227.16 million. As the Group is interested in approximately 37.020% of SZMP's equity interest, the value attributable to the Group is approximately RMB1,564.89 million (equivalent to approximately HK\$1,876.12 million converted at an exchange rate of RMB1 to HK\$1.19888 (based on the exchange rate published by State Administration of Foreign Exchange of the PRC as at the Latest Practicable Date) for illustration purpose). As such, there is a revaluation surplus of approximately HK\$1,079.64 million on the interest in the associate held by the Group. Such amount of revaluation surplus represents approximately 135.55% of the book value of the relevant interest (amounted to approximately HK\$796.48 million) in the associate as at 31 December 2020 and represents approximately 42.57% of the Group's consolidated net asset value attributable to equity holders of the Company as at 31 December 2020 respectively;
- (b) the decline in occupancy rate for ZJ Legend, a commercial centre held by SZMP, from approximately 82% as at 31 December 2020 to a month-end average of approximately 72% for the five months ended 31 May 2021, and the corresponding rental income thereof; and
- (c) the unrealised gain of approximately HK\$30.44 million as at 31 May 2021 based on the closing price of listed financial assets under the securities trading and investment segment and the value of listed financial assets increased by approximately 13.68% as compared to the value as at 31 December 2020.

English translation of the original text of the main content of the valuation report:

Statement of Valuation Personnel

- I. This report is solely for the use of Rivera (Holdings) Limited (the “**Company**”) for the purpose stated in the Asset Valuation Engagement Contract. Save for the publication as an appendix to the scheme document jointly issued by the Company and Step Famous Investment Limited pursuant to the Hong Kong Code on Takeovers and Mergers, without our prior written consent, it may not be used in any legal or litigation proceedings, be disseminated or seen in any published publications, announcements or annual reports, or be copied in part or in whole for other purposes. The contents contained in this report are strictly confidential and, to the extent permitted by law, shall not be disclosed in part or in whole to any third party other than the board of directors, the responsible employees, legal advisor and independent financial advisor of the Company without the prior written consent of our institution and the valuation personnel.
- II. We understand that the Company will conduct independent consideration and assessment before making any business decision and will not solely rely on our report, and the report issued by us will not replace other analysis and investigation work that should be carried out by the Company in reaching the business decision. Our report does not include specific purchase and sale recommendations.
- III. The information we used in this report is derived from various data sources indicated in this report. This report is based on the historical financial data of the target business provided by the management of the subject company and the relevant key assumptions of the future operation of the target business. Despite our work involved an analysis of financial and accounting information, but for the purpose of this report, we have not put in place any audit procedures unless specified otherwise in this report. For historical financial information, the valuation personnel mainly relies on the contents of the audit reports, and verified the historical financial information within his scope of professional competence. On-site investigation has also been done by the valuation personnel on the valuation subject contained in the valuation report and the asset involved, and placed necessary consideration on the legal title status on the valuation subject and the asset involved, verified the information of the legal title status on the valuation subject and the asset involved, and truthfully disclose the issues discovered. We do not express our opinion as to the reliability and accuracy of any information provided by the Company and the subject company, nor do we accept any responsibility for any such information.
- IV. For the information and data provided by other third parties upon which the conclusion of valuation analysis in this report is based, we have assumed that they are reliable and have been verified. We do not provide any assurance on the accuracy of such information.
- V. Valuation analysis work is inherently not a precise science. In many cases, the conclusion of the work of valuation analysis will inevitably be subjective and personally judged, and therefore we usually provide an analytical result in a possible range of values rather than a single and almost undisputed value. We express no opinion as to the adequacy of our work, whether or not for the purpose of issuing this report or for any other purpose. As any material decision made in relation to market value conclusion, the ultimate decision will be the responsibility of the recipients of this report.

1. Summary

Valuation Report for the Value of the Entire Equity Interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. in relation to the Proposed Acquisition of Partial Equity Interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. by Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.

Purpose of Valuation: Provision of reference opinions of the value of the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. to Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and Rivera (Holdings) Limited

Date of Valuation: 31 March 2021

Market Value (Asset-based approach): RMB4,227,159,200 (Renminbi Four billion, Two Hundred and Twenty-Seven Million, One Hundred and Fifty-Nine Thousand and Two Hundred Only)

1.1 Purpose of Valuation and Date of Valuation

Rivera (Holdings) Limited, Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. and Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

Your engagement was accepted and we have made a valuation on the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

Purpose of Valuation: The purpose of this valuation is in relation to equity acquisition, where Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. intends to acquire part of the equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd.. We have been engaged by Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and Rivera (Holdings) Limited to conduct a valuation on the market value of the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. as at 31 March 2021, and this valuation provides a value reference opinion for the above activity.

Date of Valuation: 31 March 2021

1.2 Definition of Market Value

In this valuation, we have made reference to the requirements of the “Guiding Opinions on Types of Values for Asset Valuation” to select the market value of the assets as the type of value in this valuation report.

Market value is defined as the estimated amount for which the subject of valuation should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

1.3 Introduction to the Subject Company

Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

Registered Address: Room 104-A, Building 2, 690 Bibo Road, China (Shanghai) Pilot Free Trade Zone

Date of Establishment: 24 July 2001

Type of Corporation: Limited liability company (Taiwan, Hong Kong, Macao and domestic equity joint venture)

Registered Capital: RMB370,830,000

Company Introduction:

Shanghai Zhangjiang Micro-electronics Port Co. Ltd. was established in July 2001. As at the valuation date, the investors are Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., Advance Investments Limited (a Hong Kong company) and Shanghai Tomson Real Estate Investment & Development Co., Ltd., with a registered capital of the Subject Company being RMB370,830,000. The shareholding structure is as follows:

Name of Shareholder	Registered Capital	Shareholding Ratio	Unit of Amount: RMB'0000	
			Paid-up Capital	Shareholding Ratio
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	18,355.00	49.497%	18,355.00	49.497%
Advance Investments Limited	13,728.00	37.020%	13,728.00	37.020%
Shanghai Tomson Real Estate Investment & Development Co., Ltd.	5,000.00	13.483%	5,000.00	13.483%
Total	<u>37,083.00</u>	<u>100.000%</u>	<u>37,083.00</u>	<u>100.000%</u>

Scope of Business: Engaging in land development and management, real estate development and management, incubation of micro-electronics projects on the base site of micro-electronics port within the Zhangjiang Hi-Tech Park, with a size of 1.33 square kilometers. (Projects subject to approval in accordance with laws shall not be carried out without prior approval from relevant government departments.)

Introduction to Subsidiary

As at the valuation date, Shanghai Zhangjiang Micro-electronics Port Co. Ltd. has a second-tier subsidiary. The specific details are as follows:

<i>Unit of Amount: RMB'0000</i>					
Sequence	Name of Corporation	Date of Establishment	Registered Capital	Paid-up Capital	Shareholding Ratio
1	Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd. (上海張江南郊微電子港有限公司)	19 April 2011	70,000.00	70,000.00	100.00%

Scope of Business: Real estate development and management, property management, marketing and planning, business information consultation. (Projects subject to approval in accordance with laws shall not be carried out without prior approval from relevant government departments.)

Introduction to Mutual Share-Holding Company

As at the valuation date, Shanghai Zhangjiang Micro-electronics Port Co. Ltd. has a mutual share-holding company. The specific details are as follows:

<i>Unit of Amount: RMB'0000</i>					
Sequence	Name of Corporation	Date of Establishment	Registered Capital	Paid-up Capital	Shareholding Ratio
1	Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. (上海張江創業源科技發展有限公司)	18 February 2004	3,655.00	3,655.00	45.01%

Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. was established in February 2004. As at the valuation date, its investors are Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. and Shanghai Zhangjiang Micro-electronics Port Co. Ltd., and its registered capital amounted to RMB36,550,000. The table below illustrates the capital contribution and the shareholding ratio of each shareholder as of the valuation date:

Unit of Amount: RMB'0000

Name of Shareholder	Registered Capital	Shareholding Ratio	Paid-up Capital	Shareholding Ratio
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	2,010.00	54.99%	2,010.00	54.99%
Shanghai Zhangjiang Micro-electronics Port Co. Ltd.	1,645.00	45.01%	1,645.00	45.01%
Total	<u>3,655.00</u>	<u>100.00%</u>	<u>3,655.00</u>	<u>100.00%</u>

Scope of Business: Research and development of high and new technology, venture capital investments, investment management, investment consultation (except brokerage), real estate development and management, property management. (Projects subject to approval in accordance with laws shall not be carried out without prior approval from relevant government departments.)

1.4 Subject and Scope of Valuation and Basic Conditions

1.4.1 Subject and Scope of Valuation

The subject of this valuation is the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd., the corresponding valuation scope includes the total assets and liabilities of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. as at 31 March 2021 as designated by the principal.

Assets included in the scope of valuation is in line with the scope of assets determined when the valuation is engaged.

1.4.2 Basic Conditions of Appraised Assets

On 31 March 2021, the audited carrying value of total assets is approximately RMB2,554,495,300 before valuation, including current assets (monetary funds, account receivables, prepayments, other receivables and inventory) and non-current assets (long-term equity investments, investment real estate, fixed assets, intangible assets and deferred income tax assets); total liabilities are approximately RMB1,049,730,900, including current liabilities (account payables, accounts received in advance, employee remuneration payables, tax payables, dividend payables and other payables) and non-current liabilities (deferred income tax liabilities); net assets are approximately RMB1,504,764,400.

Based on the audited balance sheet of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. as at 31 March 2021, assets and liabilities included in the scope of inspection are as follows:

As at 31 March 2021

Unit of Amount: RMB

Item	Carrying Value (audited)
1. Total Current Assets	1,219,950,764.24
Monetary Funds	1,140,556,815.56
Account Receivables	3,252,639.30
Prepayments	52,000.76
Other Receivables	9,452,166.33
Inventories (<i>Note 1</i>)	66,637,142.29
2. Total Non-current Assets	1,334,544,552.34
Long-term Equity Investments (<i>Note 2</i>)	700,000,000.00
Investment Real Estate (<i>Note 3</i>)	429,091,171.03
Fixed Assets (<i>Note 4</i>)	275,069.40
Intangible Assets (<i>Note 5</i>)	2,525.00
Deferred Income Tax Assets	205,175,786.91
3. Total Assets	2,554,495,316.58
4. Total Current Liabilities	1,031,600,105.34
Account Payables	4,786,971.32
Accounts received in advance	10,036,860.86
Employee remuneration payables	954.50
Tax Payables	14,066,942.64
Dividend Payables	143,000,000.00
Other Payables	859,708,376.02
5. Total Non-current Liabilities	18,130,768.13
Deferred Income Tax Liabilities	18,130,768.13
6. Total Liabilities	1,049,730,873.47
7. Total Owner's Equity	1,504,764,443.11
8. Total Liabilities and Owner's Equity	2,554,495,316.58

Note 1: The carrying value of the inventories was RMB66,637,142.29 which comprised the following items located at Pudong New Area of Shanghai:

Unit of amount: RMB

Sequence	Item	Carrying Value (audited)	Remarks
1	A commercial land located at No. 635, Bibo Road	22,515,054.16	Development site for Phase 2 of ZJ Legend, currently pending for development
2	Underground carparking spaces (514 units) of Phases 1, 2, 3 and 4 of Zhangjiang Tomson Garden	38,620,565.44	Held for sale
3	Club house of Zhangjiang Tomson Garden	231,607.90	Ancillary to residence, not for sale
4	Underground carparking spaces (60 units) of Phases 2 and 3 of Zhangjiang Tomson Garden	4,500,199.78	Not for sale
5	Tree stock	769,715.01	Mainly served as ancillary facilities for development projects

Note 2: The carrying value of the long-term equity investments was RMB700,000,000.00, which was the amount of investment in a subsidiary. On valuation date, there were a second-tier subsidiary and a mutual share-holding company, their particulars are set out below:

Unit of amount: RMB

Sequence	Name of Corporation	Date of Establishment	Shareholding Ratio	Carrying Value (audited)
1	Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd.	19 April 2011	100.00%	700,000,000.00
2	Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd.	18 February 2004	45.01%	0

The above long-term equity investments were recorded at cost in the books of Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

For Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd., given that its net carrying value was negative, provision for impairment had to be made according to the accounting standards so that no carrying value of such investment was recorded in the books of Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

Note 3: The carrying value of the investment real estate was RMB429,091,171.03 which comprised the following items located at Pudong New Area of Shanghai:

Unit of amount: RMB

Sequence	Item	Carrying Value (audited)	Remarks
1	Office building of Phase 1 of Zhangjiang Micro-electronics Port (Block 2, 690 Bibo Road)	15,450,314.41	
2	Office buildings of Phase 2 of Zhangjiang Micro-electronics Port (Block 4 to Block 13, 690 Bibo Road)	130,451,217.42	Real estate ownership certificates have not been processed
3	Phase 1 of ZJ Legend (commercial centre)	54,004,133.60	
4	Residential apartments of Phases 3 and 4 of Zhangjiang Tomson Garden (742 units)	194,183,761.21	Long-term tenancy
5	Underground carparking spaces (24 units) of Zhangjiang Tomson Garden	1,638,196.14	Not for sale
6	Underground carparking spaces (42 units) of Zhangjiang Tomson Garden	1,719,363.89	
7	Commercial areas of Zhangjiang Tomson Garden	31,644,184.36	Ancillary commerce

Note 4: The carrying value of the fixed assets was RMB275,069.40 and included electronic equipment and transportation equipment. Electronic equipment were mainly computers, air-conditioners, printers and other electronic equipment for office uses, while transportation equipment were mainly vehicles for office uses. The particulars are listed below:

Amount: RMB

Items	Carrying Value (audited)
Vehicles	129,517.55
Electronic equipment	145,551.85

Note 5: The carrying value of other intangible assets was RMB2,525.00. They were mainly finance software purchased from external parties.

1.4.3 The assets, liabilities and operating conditions of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. itself in 2019 and up to the valuation date are as follows:

Unit of Amount: RMB'0000

Item	31 December 2019 (Audited)	31 December 2020 (Audited)	31 March 2021 (Audited)
Total Assets	250,086.65	252,174.12	255,449.53
Total Liabilities	90,597.45	90,502.91	104,973.09
Net Assets	159,489.20	161,671.21	150,476.44

Unit of Amount: RMB'0000

Item	2019 (Audited)	2020 (Audited)	January to March 2021 (Audited)
1. Operating Income	19,682.78	21,897.49	4,976.36
Less: Operating Costs	2,916.89	4,040.13	1,117.46
Tax and Surcharges	90.04	211.79	57.14
Selling Expenses	1,574.19	1,424.81	283.49
Administrative Expenses	983.63	967.54	394.64
Finance Costs	(3,338.58)	(2,720.86)	(1,015.54)
Add: Investment Income	(2,428.12)	(1,022.50)	–
Other revenue	3.54	21.47	1.49
Gain on asset disposal	0.34	11.54	(0.35)
2. Operating Profit	15,032.37	16,984.59	4,140.31
Add: Non-operating Income	–	1.50	–
Less: Non-operating Expenses	–	2.35	–
3. Total Profit	15,032.37	16,983.74	4,140.31
Less: Income Tax	4,365.39	4,501.73	1,035.08
4. Net Profit	10,666.98	12,482.01	3,105.23

Note: The above financial data has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP, and an unqualified audit report has been issued (Reference: Xin Kuai Shi Bao Zi [2021] No. ZA22209).

1.5 References for Valuation

We have referred to the context of the following documents and relevant regulations during the valuation:

1.5.1 Basis of Laws and Regulations

- 1.5.1.1 Company Law of the People's Republic of China (Revised at the 6th session of the Standing Committee of the 13th National People's Congress on 26 October 2018);
- 1.5.1.2 Land Administration Law of the People's Republic of China (The 32nd Order of the President of the People's Republic of China dated 26 August 2019);
- 1.5.1.3 Law of the People's Republic of China on the State-owned Assets of Enterprises (Approved at the 5th session of the Standing Committee of the 11th National People's Congress on 28 October 2008);
- 1.5.1.4 Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order of the State-owned Assets Supervision and Administration Commission of the State Council (No. 12));
- 1.5.1.5 Measures for the Administration of Assessment of State-owned Assets (Order of the State Council in 1991 (No. 91));
- 1.5.1.6 Provisions on certain questions of the Administration of Assessment of State-owned Assets (Order of the Ministry of Finance (No. 14));
- 1.5.1.7 Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Order of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance (No. 32));
- 1.5.1.8 Notice of Issues on Reinforcement of State-owned Assets Appraisal and Management of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
- 1.5.1.9 Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36 issued by the original State-owned Assets Administration Bureau);
- 1.5.1.10 Notice of Guidelines on the Filing Work of State-owned Assets Appraisal Projects of Enterprises (Guo Zi Chan Quan [2013] No. 64);
- 1.5.1.11 Code for Real Estate Appraisal (GB/T50291-2015);
- 1.5.1.12 Regulations for valuation on urban land (GB/T18508-2014);

- 1.5.1.13 Urban Real Estate Administration Law of the People’s Republic of China (Order No. 32 of the President of the People’s Republic of China dated 26 August 2019);
 - 1.5.1.14 Accounting Standards for Enterprises, The General Rules Governing Finance for Enterprises, Accounting Regulations for Enterprises issued by the Ministry of Finance;
 - 1.5.1.15 Notice of Forwarding the “Notice of the Related Issues of the Establishment of Public Announcement System for Assets Appraisal Projects of Central Enterprises” issued by the State-owned Assets Supervision and Administration Commission of the State Council (《關於轉發國務院國資委<關於建立中央企業資產評估項目公示制度有關事項的通知>的通知》) (Hu Guo Zi Wei Ping Gu [2016] No. 338);
 - 1.5.1.16 Audit Manual for Appraisal Report of State-owned Assets of Shanghai Municipal Enterprises (《上海市企業國有資產評估報告審核手冊》) (Hu Guo Zi Wei Ping Gu [2018] No. 353);
 - 1.5.1.17 Interim Measures for Appraisal Administration of State-owned Assets of Shanghai Municipal Enterprises (《上海市企業國有資產評估管理暫行辦法》) (Hu Guo Zi Wei Ping Gu [2019] No. 366);
 - 1.5.1.18 Operating Manual for Appraisal Approval Filing of State-owned Assets of Shanghai Municipal Enterprises (《上海市企業國有資產評估核准備案操作手冊》) (Hu Guo Zi Wei Ping Gu [2020] No. 100).
- 1.5.2 Basis for Valuation Standards
- 1.5.2.1 Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);
 - 1.5.2.2 Code of Professional Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
 - 1.5.2.3 Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
 - 1.5.2.4 Practicing Standards for Asset Valuation – Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);
 - 1.5.2.5 Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
 - 1.5.2.6 Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);

- 1.5.2.7 Practicing Standards for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
 - 1.5.2.8 Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
 - 1.5.2.9 Guidelines for Business Quality Control of Asset Valuation Institutions (Zhong Ping Xie [2017] No. 46);
 - 1.5.2.10 Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
 - 1.5.2.11 Guiding Opinions on Legal Ownership of the Subjects of Valuation (Zhong Ping Xie [2017] No. 48);
 - 1.5.2.12 Guiding Opinions on Valuation of Investment Properties (Zhong Ping Xie [2017] No. 53);
 - 1.5.2.13 Expert Guidance on Valuation of Assets No. 8 – Verification and Validation in Asset Valuation (Zhong Ping Xie [2019] No. 39);
 - 1.5.2.14 Other relevant standards of, guidelines for and guiding opinions on asset valuation published by Ministry of Finance and China Appraisal Society.
- 1.5.3 Basis for Ownership
- 1.5.3.1 Business Licence;
 - 1.5.3.2 Articles of Association;
 - 1.5.3.3 Contract for the transfer of Land;
 - 1.5.3.4 Real Estate Ownership Certificate and Certificate for Land Use Right;
 - 1.5.3.5 Motor vehicles permit;
 - 1.5.3.6 Business licence for long-term equity investment entities;
 - 1.5.3.7 Articles of Association and capital verification report for long-term equity investment entities;
 - 1.5.3.8 Supporting information for other property rights, including Real Property Certificates and Certificates of Title Investigation.

1.5.4 Basis for Price Determination

- 1.5.4.1 A Manual for Common Data and Parameters in Assets Appraisal, China Science and Technology Press;
- 1.5.4.2 Data of materials price announced by the Building and Construction Pricing Administration Station (建設工程造價管理站);
- 1.5.4.3 Land transaction data announced by landchina.com;
- 1.5.4.4 Data from chinacars.com;
- 1.5.4.5 Loan Prime Rate (LPR) announced by the National Interbank Funding Center, and the interest rates of the long-term government bonds and exchange rates announced by the People's Bank of China;
- 1.5.4.6 Statistics, technical standards and policy documents issued by the relevant authorities of the People's Republic of China;
- 1.5.4.7 Audit reports issued by BDO China Shu Lun Pan Certified Public Accountants LLP;
- 1.5.4.8 Audit report issued by Baker Tilly China Certified Public Accountants (Special General Partnership);
- 1.5.4.9 Certain contracts and agreements, etc, provided by the subject of this valuation, including sales contracts, land transfer contracts and property lease contracts;
- 1.5.4.10 Records of site inspection from 1 April 2021 to 3 April 2021 by the valuation personnel;
- 1.5.4.11 All supporting information related to the valuation which is collected by the valuation personnel, including the property transaction records on sales and leasing of properties in the surrounding area, information on market rental, information on land transaction.

1.6 Assumptions for Valuation

1.6.1 Basic Assumptions

1.6.1.1 Going Concern Assumption

It is assumed that the assets of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. under the appraisal will continue to be used in accordance with the original purpose and method of use, and the operating conditions such as profit distribution with related enterprises will remain unchanged upon the realization of the valuation purpose of the said assets.

1.6.1.2 Open Market Assumption

It is assumed that the assets can be freely traded in a fully competitive market, and the price depends on the judgment of independent buyers and sellers on the value of the assets under normal supply situation of the market.

An open market is a fully competitive market with many buyers and sellers. In this market, both buyers and sellers are treated equally and have the opportunity and time to obtain sufficient market information, and the transaction activities between buyers and sellers are conducted on a voluntary, rational, and not mandatory or unrestricted basis.

1.6.1.3 Transaction Assumption

The source of value of any asset is inseparable from transaction. Whether or not the appraised assets are involved in a transaction in the economic activity related to the purpose of valuation, we assume that the valuation target is in the course of transaction, and the valuation personnel conducts valuation based on simulated market such as the transaction conditions of the assets to be appraised.

1.6.2 General Assumptions

1.6.2.1 The industry in which the enterprise operates has maintained a stable development trend, and there is no material change in the existing national and local laws, regulations, systems and social, political and economic policies followed by the enterprise;

1.6.2.2 The impact of inflation on the valuation result is not considered;

1.6.2.3 Interest rates and exchange rates remain at the current level with no significant changes;

1.6.2.4 There is no material adverse impact caused by other force majeure and unforeseeable factors.

1.6.3 Specific Assumptions

1.6.3.1 There will be no change of the use of the assets of the subject company after the valuation date and the assets will remain in use;

1.6.3.2 After the valuation purpose is realized, the subject company will continue to operate under the existing business model, continue to operate the original products or similar products, and the operating conditions such as the supply and sales model of the enterprise and the profit distribution with related enterprises will remain unchanged.

1.6.4 The subject company acquired a commercial land, located at No. 635, Bibo Road, Pudong New Area, Shanghai, in August 2001, and it is currently pending for development. It is assumed in the valuation that the land parcel is transferred to external party under the current status.

The valuation institution concluded that these assumptions were valid at the valuation date and would not assume responsibility for different valuation conclusions derived from the changes in assumptions when there are significant changes in the future economic environment.

1.7 Verification of Assets

On 1 April 2021, our valuation personnel together with the relevant personnel of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. went to the location of the appraised assets and conducted on-site inspection and verification of the appraised assets, and the on-site working time was 3 days. We and our valuation personnel have paid necessary attention to the legal ownership status of the valuation target and conducted necessary verification of the information used in the valuation. We have relied on the title documents and investigations of real estate ownership at real estate trading centre for identification of defects on the legal ownership of the real estate. However, we only express our opinion on the value of the appraised assets, and we are not entitled to give assurance of any form for their legal ownership, nor are we responsible for the authenticity of the relevant information provided by the enterprise.

1.8 Currency

Unless specified otherwise, all monetary amounts are denominated in Renminbi in this valuation report.

1.9 Specific Issues

1.9.1 Incompleteness or defect found in material information such as ownership

The valuation in this valuation report has already taken into account the following incompleteness or defect found in material information such as ownership:

- 1.9.1.1 The real estate ownership certificates of the properties of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. (or the “**Subject Company**”), which locate at Block 4 to Block 13, 690 Bibo Road, Shanghai, have not been processed due to the issue on plot ratio. It is uncertain as to the timing on obtaining the real estate ownership certificates.

This valuation report has made adjustments to the valuation based on the estimated costs for obtaining real estate ownership certificates for the aforementioned properties.

- 1.9.1.2 The real estate ownership certificates of the properties of Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd., the mutual share-holding company of the Subject Company, which locate at Block 6, 1690 Cai Lun Road, Shanghai, Block 3, 68 Huatuo Road and 1600 Cai Lun Road, Shanghai, have not been processed due to the issues on plot ratio and the nature of the land. It is uncertain as to the timing on obtaining the real estate ownership certificates.

This valuation report has adjusted the valuation of the aforementioned properties by making correction to ownership defects arisen from not having processed real estate ownership certificates.

- 1.9.1.3 The Subject Company acquired the commercial land located at No. 635, Bibo Road, Shanghai in 2001. As it had been acquired in early years, according to the land transfer contract, only the purpose and plot ratio are two planning conditions known, and the land is pending development. It is unable to confirm the changes and restrictions on planning that will be encountered during the actual development, and it may have an impact on the valuation assessment.

The valuation of the land, being the development site of Phase 2 of ZJ Legend, in this valuation report is based on the planning conditions set out in the land transfer contract entered into by the Subject Company at the time when it acquired the land. Payment of additional land premium will usually be required when the planning conditions of the land change in the future. We considered that even if there are changes to the planning conditions in the future, the increase in the land value after the changes will be offset by the additional land premium payable to the government authorities. Hence, if the planning conditions of the land changes in the future, it will not have material impact on the value of the land as at 31 March 2021.

1.9.2 Uncertainties such as unsettled matters or legal disputes

Several customers initiated actions at the court against Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd., the mutual share-holding company of the Subject Company, on the issue of failure to process real estate ownership certificates of properties sold externally in previous years in accordance with the time stipulated in sales contracts. The basic litigation is to continue to possess the property and to indemnify the default payment on delay in processing real estate ownership certificates. As of the date of publication of this report, all litigation cases were closed, and Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. paid the default payment of RMB16,772,400. The aforesaid default payment had been charged to the profit and loss account before 2021 and paid in April 2021. Such amount was credited as expected liabilities in the balance sheet as at 31 March 2021.

Another customer, Shanghai Yu Hua Investment Company Ltd. initiated three litigation cases against Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. for returning the property purchased and seeking for indemnification on loss on interest due to its failure of performing the sales contract. Final judgement was made in January 2021. Shanghai Yu Hua Investment Company Ltd. and Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. rescinded the pre-sale contract for the property located at 1st to 3rd Floor, Block 3, 68 Huatuo Road, Pudong New Area, Shanghai. Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. refunded the purchase consideration of the property, indemnified the loss on interest, paid default payment and interests. The total amount paid to Shanghai Yu Hua Investment Company Ltd. amounted to RMB54,803,400. In addition, there were litigation costs of RMB556,800. The aforementioned amounts were paid in April and May 2021 and had been charged to the profit and loss account before 2021. The amounts were also credited as expected liabilities in the balance sheet as at 31 March 2021.

Except for the issues mentioned above, as of the valuation date, the assets appraiser was not aware of the existence of uncertainties including other unsettled matters and legal disputes. Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and its subsidiary and mutual share-holding company also stated clearly that there was no existence of other uncertainties including unsettled matters and legal disputes.

1.9.3 Material usage of expert work and related reports

We have received the following professional reports through legal means in this valuation, and make a prudent reference to the related contents of such professional reports:

- 1.9.3.1 Unqualified audit report on the Subject Company for the period between the year 2019 up to 31 March 2021 issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Reference: Xin Kuai Shi Bao Zi [2021] No. ZA22209);

1.9.3.2 Unqualified audit report on Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd., the subsidiary of the Subject Company, for the period between the year 2019 up to 31 March 2021 issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Reference: Xin Kuai Shi Bao Zi [2021] No. ZA20544); and

1.9.3.3 Unqualified audit report on Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd., the mutual share-holding company of the Subject Company, for the period between 1 January 2021 and 31 March 2021 issued by Baker Tilly China Certified Public Accountants (Special General Partnership) (Reference: Tian Zhi Ye Zi [2021] No. 26848).

According to the related provisions of the current appraisal standards, our responsibility arising from using of the related professional reports is restricted to the related responsibility of mis-reference of such reports.

1.9.4 Material subsequent event

During the period between the valuation date and the date of publication of this valuation report, we are not aware of any event related to Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and its subsidiary or mutual share-holding company that is of significance to the conclusion of the valuation, including issues required for adjustment and having direct impact on the valuation results and issues which have no direct impact on the valuation results but should be disclosed. Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and its subsidiary or mutual share-holding company did not notify us through effective means of any existence of significant event after the period.

1.9.5 Restriction to the valuation procedures, compensatory measures taken by the valuation institution and effect on the valuation conclusion

During this valuation, there is no event that restricts the valuation procedures.

1.9.6 Guarantee, leasing and its contingent liabilities (or contingent assets)

The premises of the Subject Company for operation are self-owned properties and part of them are leased to external parties. No issues on guarantee and contingent liability (or contingent asset) are reported. Through on-site investigation, none of the above issues were found by the valuation personnel as well. Since our valuation personnel are not professional auditors or legal officers, and their investigation methods may not be comprehensive, we are not able to issue definitive opinion on the existence of issues including guarantee and contingent liability (or contingent asset). Based on the information provided by the Subject Company, our valuation personnel investigated the guarantee and leases of the assets, and its contingent liability (or contingent asset) of the Subject Company within his professional competence. Since our valuation personnel are not professional auditors or legal officers, and their investigation methods may not be comprehensive, there is no assurance to the non-existence of guarantee and contingent liability (or contingent asset) of the Subject Company. The valuation conclusion is based on the status of the above issues reported by the Subject Company and the investigation conclusion of the valuation personnel.

- 1.9.7 For the economic activity corresponding to this valuation, the defect which may have material effect on the valuation conclusion

In the economic behavior corresponding to this valuation, defects described in paragraphs 1.9.1 and 1.9.2 may be of significance to the conclusion of the valuation. Issues described in paragraph 1.9.1 are yet to be resolved. For the issues described in paragraph 1.9.2, as at the date of this valuation report, all initiated litigations have been concluded and there are no outstanding litigations, yet several customers have not raised litigation and there is possibility on the payment of default payment in the future. The actual amount of default payment may affect any future valuation. Adjustments have been made for the issues described in paragraphs 1.9.1 and 1.9.2 in the valuation results. Adjustment for issues described in paragraph 1.9.1 were made on the valuation on inventory and investment real estate, while the adjustment for issues described in paragraph 1.9.2 were reflected on the valuation of expected liabilities. In addition, as the valuation result of Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd. as at 31 March 2021 was negative and in view of the principle of limited liability of shareholders, even if additional compensation is required in the future, it will not affect the valuation of the entire equity interests in the Subject Company in this valuation report.

- 1.9.8 Other Events to be Explained

- 1.9.8.1 Conclusion of valuation solely reflects the market value of appraised assets as at the valuation date.
- 1.9.8.2 The “appraised value” referred to in this report refers to the market value of the appraised assets determined in accordance with the open market principle on the premise that the existing use of the appraised assets remains unchanged and the assets continue to be in use, and under the external economic environment on the valuation date, without taking into account the impact on the valuation results from the mortgage and guarantee that have existed or may be undertaken in the future, and the impact on the valuation results by the additional price that may be paid by special transaction methods (including payment by instalments, which may include interest). The valuation results only reflects the market value, and does not take into account the transaction price affected by the transaction or payment method. At the same time, this report also does not take into account the impact on the value of assets caused by major changes in national macroeconomic policies, natural forces and other force majeure.
- 1.9.8.3 The principal and other relevant parties shall be responsible for the truthfulness, completeness and legality of the data, statements and relevant information provided by Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and its subsidiary and mutual share-holding company within the scope of and adopted in this valuation. The relevant title certificates and relevant materials involved in the valuation report are provided by Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and its subsidiary and mutual share-holding

company. Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and its subsidiary and mutual share-holding company shall be liable for their truthfulness, legality and completeness. We, the valuation institution, and valuation personnel have paid necessary attention to the legal ownership of the valuation target and inspected and verified the information used in the valuation in accordance with the law. We have relied on the title documents and investigations of real estate ownership at real estate trading centre for identification of defects on the legal ownership of the real estate. However, we only express our opinion on the value of the appraised assets and we are not entitled to provide assurance of any form for their legal ownership. This report shall not be used as title certificate of any form.

- 1.9.8.4 The valuation institution and the valuation personnel shall not be responsible for any defects that may affect the valuation of the Subject Company which are not specified in the engagement and are generally unknown to the valuation personnel based on their professional experience.
- 1.9.8.5 The valuation of the appraised assets in this report is made to objectively reflect the value of the appraised assets. We do not intend to require the owner of the assets to conduct relevant accounting treatment in accordance with the results and presentation method of this report. Whether or not to carry out or how to carry out the relevant accounting treatment shall be decided by the senior competent finance and taxation department of the asset owner and shall comply with the requirements of the national accounting system.
- 1.9.8.6 During the validity period of the valuation conclusion after the valuation date, if there are changes in the quantity and pricing standard of the assets, the following principles shall apply:
- 1.9.8.6.1 When there are changes in the quantity of assets, the amounts of assets shall be adjusted according to the original valuation method;
- 1.9.8.6.2 When there are changes in the pricing standard of assets and has a significant impact on the asset valuation result, the principal shall engage a qualified asset valuation institution in a timely manner to determine the value again;
- 1.9.8.6.3 After the valuation date, when there are changes in the quantity and pricing standard of assets, the principal shall give due consideration to the actual pricing of the assets and make adjustments accordingly.

The above special issues may have impacts on the valuation conclusion, and the users of the valuation report shall pay attention.

1.10 Restrictive Conditions

- 1.10.1 The valuation conclusion solely reflects the market value of the appraised enterprise as at the valuation date. As the selected valuation date is close to the period, when there is no significant fluctuation in the domestic market, the prices of various commodities, production data and labour services are basically stable, and the market exchange rate of Renminbi against other currencies is within the normal fluctuation range, therefore, the transaction price will not be materially affected if the difference between the assets delivery date and the valuation date is not significant. When there is a material change in the conditions of the appraised enterprise or the market price level after the valuation date, the parties shall give due consideration to the impact of such changes on the valuation conclusion and use this valuation report carefully.
- 1.10.2 This report is to determine the market value of the appraised enterprise based on the open market principle on the premise that the existing use of the appraised enterprise remains unchanged and the enterprise continues to be in use, and under the external economic environment as at the valuation date, without taking into account the impact of existing or potential mortgage and guarantee matters, as well as the additional price that may be paid by special transaction method on the valuation; at the same time, this report does not take into account the impact of major changes in national macroeconomic policies, natural forces and other force majeure on the enterprise value.
- The valuation results will be invalid when the above conditions, the going concern principle followed in the valuation and the forecast of the operating profit of the appraised enterprise have changed significantly.
- 1.10.3 The valuation conclusion solely reflects the market value of the appraised enterprise as at the valuation date. The valuation results will be invalid if there are changes in the assumptions and the principle of continuous use followed in the valuation.
- 1.10.4 This report is solely for the purpose of this valuation. In general, due to different valuation purposes, different value types and different valuation dates, the same assets would show different values, and we are not responsible for the consequences caused by the improper use of the valuation report.
- 1.10.5 For any defects that may affect the valuation, if the principal did not make special explanations at the engagement which the valuation personnel are generally not aware of based on their professional experience, the valuation institution and the valuation personnel shall not be held liable.
- 1.10.6 This report is only for the principal for the valuation purpose stated herein. Except as required to be submitted to the relevant administrative departments of the government or required to be disclosed in accordance with laws, neither this valuation institution nor the principal shall extract, quote or disclose the contents of this valuation report in public media without permission from the other party.
- 1.10.7 Scope of use of the valuation report: the principal; the users of the valuation report as required by other national laws and regulations.

2. Valuation Method

The subject of this valuation is the value of the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. After analysis, the above scope of valuation includes all assets and liabilities of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. as at 31 March 2021. Followings are main factors being considered during the selection of valuation method:

The Subject Company largely differs from the listed companies of the same industry in terms of size, and there are relatively few comparable transactions for the same type of enterprises, therefore necessary premise for using market method does not exist and it is not suitable to adopt market method for this valuation.

The Subject Company is an enterprise engaging in real estate development, sale proceeds or rental income of the properties are its sources of revenue. Part of the properties of the Subject Company are yet to process the real estate ownership certificate, it is difficult to ascertain the point of time of its sales and it is difficult to predict the future revenue in a reasonable manner. Hence, necessary premise for using income method does not exist and it is not suitable to adopt income method for this valuation.

Considering the specific conditions of the appraised assets, the asset-based approach is adopted to perform valuation over the value of the appraised assets (whether the real estate ownership certificate is obtained or not).

2.1 Introduction to Asset-based approach and Valuation Methods for all Categories

Under the asset-based approach, the essence of this approach is to add the total value of all identifiable assets and liabilities of the appraised enterprise based on the balance sheet of the enterprise at their fair value on a case-by-case basis, and it is considered that the aggregated value is the market value of the enterprise as a whole. The key to properly apply the asset-based approach to estimate the enterprise value is firstly to provide a reasonable valuation of each identifiable asset and liability with reference to its respective contribution to the overall enterprise value. A brief description of the valuation techniques for each item is as follows:

2.1.1 Valuation for Current Assets

Current assets are assets that are realized or consumed in the production and operating activities of an enterprise within one year or an operating cycle of more than one year.

Different valuation methods are selected in the valuation based on the characteristics of different current assets. Current assets under this appraisal are monetary funds, account receivables, prepayments, other receivables and inventories.

2.1.1.1 Valuation for inventories

Inventories include development products and development costs. Through on-site inspection of the development projects, the valuation personnel understood the geographical location of the development projects, the type and extent of development of the development projects, as well as the conditions of the surrounding real estate market. They also made a verification of the ownership information of the development projects, the detailed items of development costs, relevant contracts and settlement information, pre-sales (sales) contracts and other relevant information.

Market comparison approach and income approach are commonly adopted for valuation. After determining the market value of the valuation target by the market comparison approach, the corresponding sales expenses, relevant taxes, profit discount, etc. shall be deducted. The non-saleable portion was valued mainly by the income approach.

Development products = sales revenue - sales expenses - value-added tax and surcharges - land appreciation tax - income tax - profit discount.

The market comparison approach is to select a number of comparable cases based on the principle of substitution in the recent transaction cases in similar regions where the valuation target is located, and make corrections to transaction conditions, market conditions, regional conditions, physical conditions, equity conditions, etc., so as to obtain the price of the valuation target. Correction of equity conditions refer to any correction of the equity condition as a result of defects or restrictions to the equity interests. Defects or restrictions to equity interests include no real estate ownership certificate, dispute on the ownership, no right of use, no right of leasings or restrictions by mortgage.

The basic formula of the market comparison approach is as follows:

Valuation result = price of comparable case × correction coefficient of transaction condition × correction coefficient of transaction date × correction coefficient of regional condition × correction coefficient of physical condition × correction coefficient of equity condition

The income approach is a valuation method to estimate the objective value of the valuation target by estimating the normal net income of the valuation target in the future and discounting it to the valuation point at an appropriate capitalisation rate for an aggregate value. The income approach is based on the principle of anticipation, that is the present value of future income rights. The basic formula of the income approach is as follows:

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{V}{(1+r)^n}$$

In the formula:

R_i – the net income for the next ith year (RMB)

V – Realized income of assets at the end of income period

r – Capitalisation ratio (%) (derived from the risk-free interest rate published by the People’s Bank of China and the risk premiums published by Shanghai Municipal Planning and Land Resources Administration)

n – Duration of income to be received in the future (Year)

The inventories of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. included the following items located at Pudong New Area of Shanghai:

Sequence	Item	Valuation Method	Valuation Results (RMB'0000)	Remarks
1	the commercial land located at No. 635, Bibo Road	Market comparison approach	52,337	
2	Underground carparking spaces (514 units) of Phases 1, 2, 3 and 4 of Zhangjiang Tomson Garden	Market comparison approach	5,342	
3	Club house of Zhangjiang Tomson Garden	Income approach (Note 1)	166	Not for sale
4	Underground carparking spaces (60 units) of Phases 2 and 3 of Zhangjiang Tomson Garden	Income approach (Note 1)	274	Not for sale
5	Tree stock	At carrying value	77	Ancillary facilities

Note 1: The valuation results are determined with reference to existing lease terms and current market rentals.

2.1.2 Valuation of Investment Real Estate

Market comparison approach and income approach are commonly adopted for valuation. After determining the market value of the valuation target by the market comparison approach, the corresponding sales expenses, relevant taxes, profit discount, etc. shall be deducted. The non-saleable portion was valued mainly by the income approach.

Investment real estate = market value - sales expenses - value-added tax and surcharges - land appreciation tax - income tax - profit discount

The market comparison approach is to select a number of comparable cases based on the principle of substitution in the recent transaction cases in similar regions where the valuation target is located, and make corrections to the transaction conditions, market conditions, regional conditions, physical conditions, equity conditions, etc., so as to obtain the price of the valuation target. Correction of equity conditions refer to any correction of the equity condition as a result of defects or restrictions to the equity interests. Defects or restrictions to equity interests include no real estate ownership certificate, dispute on the ownership, no right of use, no right of lease or restrictions by mortgage.

The basic formula of the market comparison approach is as follows:

Valuation result = price of comparable case × correction coefficient of transaction condition × correction coefficient of transaction date × correction coefficient of regional condition × correction coefficient of physical condition × correction coefficient of equity condition

The income approach is a valuation method to estimate the objective value of the valuation target by estimating the normal net income of the valuation target in the future and discounting it to the valuation point at an appropriate capitalisation rate for an aggregate value. The income approach is based on the principle of anticipation, i.e. the present value of future income rights. The basic formula of the income approach is as follows:

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{V}{(1+r)^n}$$

In the formula:

R_i – the net income for the next ith year (RMB)

V – Realised income of assets at the end of income period

r – Capitalisation ratio (%) (derived from the risk-free interest rate published by the People's Bank of China and the risk premiums published by Shanghai Municipal Planning and Land Resources Administration)

n – Duration of income to be received in the future (Year)

The investment real estate of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. included the following items located at Pudong New Area of Shanghai:

Sequence	Item	Valuation Method	Valuation Results (RMB'0000)	Remarks
1	Office building of Phase 1 of Zhangjiang Micro-electronics Port (Block 2, 690 Bibo Road)	Market comparison approach	23,767	
2	Office buildings of Phase 2 of Zhangjiang Micro-electronics Port (Block 4 to Block 13, 690 Bibo Road)	Market comparison approach	89,465	Real estate ownership certificates have not been processed
3	Phase 1 of ZJ Legend (commercial centre)	Market comparison approach	40,974	
4	Residential apartments of Phases 3 and 4 of Zhangjiang Tomson Garden (742 units)	Income approach (Note 1)	76,543	Long-term tenancy
5	Underground carparking spaces (24 units) of Zhangjiang Tomson Garden	Income approach (Note 1)	110	Not for sale
6	Underground carparking spaces (42 units) of Zhangjiang Tomson Garden	Market comparison approach	392	
7	Commercial areas of Zhangjiang Tomson Garden	Market comparison approach	15,626	Ancillary commerce

Note 1: The valuation results are determined with reference to existing lease terms and current market rentals.

2.1.3 Valuation for long-term equity investment

The valuation of long-term equity investment refers to the net assets of the investee attributable to the investing entity in the shareholding proportion. For subsidiaries and mutual share-holding companies, the amount of the net assets is the valuation of the net assets after the overall valuation of the investee. Valuations have been done on the subsidiary and mutual share-holding company of the Subject Company, the valuation results are then multiplied by the percentage of shareholding before being included in the valuation of the Subject Company. The particulars are as follow:

Name of Corporation	Net Carrying Asset Value (Note) (audited) (RMB'0000)	Valuation Results (RMB'0000)	Percentage of Shareholding held by the Subject Company	Included in the Valuation Results of the Subject Company (RMB'0000)
Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd.	81,283.40	86,652.91	100%	86,652.91
Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd.	(22,469.17)	(8,237.00)	45.01%	0

Note: Based on the respective audited balance sheet as at 31 March 2021 of Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd. and Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd..

2.1.3.1 In respect of the valuation of the above subsidiary, Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd., all the assets and liabilities were reviewed and save as the following assets, there was no change in the carrying value upon valuation results:

2.1.3.1.1 The valuation of current assets increased by approximately RMB53,383,500, which was attributable to following developed products in Fengxian District, Shanghai and were valued according to the valuation method of the inventories stated in paragraph 2.1.1.1 above:

Sequence	Item	Valuation Method
1	Commercial-cum-office building	Market comparison approach
2	1,299 units of underground carparking spaces	Market comparison approach

2.1.3.1.2 The valuation of the fixed assets increased by approximately RMB311,600. The fixed assets included office equipment, electronic equipment and transportation equipment which are all for office uses and were valued according to the valuation method of the fixed assets stated in paragraph 2.1.4 below.

2.1.3.2 In respect of the valuation of the above mutual share-holding company, Shanghai Zhangjiang Chuang Ye Yuan Technological Development Ltd., all the assets and liabilities were reviewed and save as the following assets, there was no change in the carrying value upon valuation results:

2.1.3.2.1 There was a reduction adjustment to the net profit of approximately RMB5,213,600 arisen on the rescission of the pre-sale contract with Shanghai Yu Hua Investment Company Ltd. as disclosed in paragraph 1.9.2 above.

2.1.3.2.2 The valuation of the developed products in Pudong New Area, Shanghai increased by approximately RMB30,586,700 and was based on the valuation method stated in paragraph 2.1.1.1 above.

2.1.3.2.3 The valuation of the investment real estate in Pudong New Area, Shanghai increased by approximately RMB116,948,800 and was based on the valuation method stated in paragraph 2.1.2 above.

2.1.3.2.4 The valuation of the fixed assets decreased by approximately RMB200 and was based on the valuation method stated in paragraph 2.1.4 below.

2.1.4 Valuation of Fixed Assets

The fixed assets are based on cost approach. It is the expected cost required to replace or reproduce the future service capability of the appraised asset, less depreciation from physical deterioration, functional and economic/external obsolescence, if present and measurable.

Amount: RMB'0000

Sequence	Items	Valuation Results
1	Vehicles	105
2	Electronic equipment	9

2.1.5 Valuation of Liabilities

Liabilities are the economic debt assumed by the enterprise that can be measured in currency and required to be settled by future assets or services.

The valuation of liabilities is recognised based on the items and amounts of liabilities actually assumed by the title holder after the purpose of valuation is achieved. If it is confirmed that liabilities items with book value have to be repaid, relevant amounts will be deducted from the valuation results. Relevant liabilities have been deducted from this valuation results. The comparison between the valuation and audit results of liability shows no change and the particulars are as follow:

Valuation date: 31 March 2021

Unit of amount: RMB'0000

Item	Net Carrying Value (audited)	Valuation Results
Total current liabilities	1,031,600,105.34	1,031,600,105.34
Account Payables	4,786,971.32	4,786,971.32
Accounts received in advance	10,036,860.86	10,036,860.86
Employee remuneration payables	954.50	954.50
Tax Payables	14,066,942.64	14,066,942.64
Dividend Payables (profit payable)	143,000,000.00	143,000,000.00
Other Payables	859,708,376.02	859,708,376.02
Total non-current liabilities	18,130,768.13	18,130,768.13
Deferred income tax liabilities	18,130,768.13	18,130,768.13
Total liabilities	1,049,730,873.47	1,049,730,873.47

Overprovided liabilities are considered as nil.

3. Conclusion of Valuation

3.1 Results of Valuation

The carrying value of total assets of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. at the valuation date is RMB2,554,495,300, the valuation is RMB5,276,890,100, an increase of RMB2,722,394,800, and an increase ratio of 106.57%. The carrying value of total liabilities is RMB1,049,730,900 while the valuation is RMB1,049,730,900. The carrying value of net assets is RMB1,504,764,400 while the valuation is RMB4,227,159,200, an increase of RMB2,722,394,800 and an increase ratio of 180.92%.

Aggregate Table for the Valuation Result from using Asset-based Approach

Date of Valuation: 31 March 2021

Unit of Amount: RMB'0000

Item	Net Carrying Value	Results of Valuation	Amount of Increase or Decrease	% of Increase or Decrease
	A (audited)	B	C=B-A	D=C/A
Total Current Assets	121,995.07	173,527.53	51,532.46	42.24
As to: Monetary Funds	114,055.68	114,055.68		
Account Receivables	325.26	325.26		
Prepayments	5.20	5.20		
Other Receivables	945.22	945.22		
Inventories	6,663.71	58,196.17	51,532.46	773.33
Total Non-current Assets	133,454.46	354,161.48	220,707.02	165.38
As to:				
Net amount for Long-term Equity Investments	70,000.00 (Note 1)	86,652.91	16,652.91	23.79
Net amount for Investment Real Estate	42,909.12	246,876.69	203,967.57	475.35
Net amount for Fixed Assets	27.51	114.05	86.54	314.58
Net amount for Intangible Assets	0.25	0.25		
Deferred Income Tax Assets	20,517.58	20,517.58		
Total assets	255,449.53	527,689.01	272,239.48	106.57
Total Current Liabilities	103,160.01	103,160.01		
As to: Dividend Payables	14,300.00	14,300.00		
Other Payables	85,970.84	85,970.84		
Non-current Liabilities	1,813.08	1,813.08		
Total Liabilities	104,973.09	104,973.09		
Net Assets (Owner's Equity)	150,476.44	422,715.92	272,239.48	180.92

Note 1: The carrying value was recorded at cost.

The reasons for the increase in value of major assets are analysed as follows:

- 3.1.1 The valuation of current assets increased by RMB515,324,600, which was mainly due to the increase in the valuation of inventories;
- 3.1.2 The valuation of long-term equity investments increased by RMB166,529,100, which was mainly due to the increase in the valuation of development products upon evaluation on long-term equity investment in Shanghai Zhangjiang Nanjiao Micro-electronics Port Co., Ltd.;

3.1.3 The valuation of investment real estate increased by RMB2,039,675,700, which was mainly due to the increase in the valuation of the residential apartments of Zhangjiang Tomson Garden, the office buildings of Zhangjiang Micro-electronics Port and Phase 1 of ZJ Legend (commercial center);

3.1.4 The valuation of fixed assets increased by RMB865,400, which was mainly due to the increase in the valuation of Shanghai vehicle license plates.

Based on the above, according to the information provided by the management of the appraised entity, and based on our scope of work, procedures and major assumptions and restrictive conditions, we are of the view that the valuation adopted by using asset-based approach on the market value of the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. is RMB4,227,159,200.

3.2 The conclusion of this valuation is solely to comment on the value of the entire equity interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

In view of the limitations of market information, the premium or discount due to factors such as controlling interest and minority interest are not considered in this valuation.

The value of partial equity interests does not necessarily equal to the product of the total equity value and the shareholding proportion.

In the course of this valuation, the impact of the liquidity of assets on the value of the valuation target has not been taken into account as the information on the industry and relevant asset title transaction is not available and there is a lack of basis for analysis on the liquidity of assets.

3.3 The conclusion of this valuation is valid to use for one year, that is valid from the valuation date on 31 March 2021 to 30 March 2022.

(No text is included in this page, solely as the signatory page for the valuation report of Xin Zi Ping Zi Zi [2021] No. 080005)

Shanghai Lixin Appraisal Co., Ltd.

Valuation Personnel: Yao Ling

Valuation Personnel: Lin Shuang

Dated: 30 June 2021

1. RESPONSIBILITY STATEMENTS

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal.

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 the Offeror Concert Parties), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by Tong Family 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 issue of this Scheme Document has been approved by the Offeror 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 Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors 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 issued and paid-up capital of the Company comprised 2,608,546,511 Shares;
- (b) all of the Shares currently in issue ranked *pari passu* in all respects as regards rights to capital, dividends and voting;
- (c) no Shares had been issued since 31 December 2020, the end of the last financial year of the Company; and
- (d) there were no outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into the Shares.

3. MARKET PRICE

The table below sets out the closing price of the Shares on the Stock Exchange on: (a) the last trading day of each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date:

	Closing price per Share (HK\$)
30 June 2020	0.390
31 July 2020	0.385
31 August 2020	0.360
30 September 2020	0.350
30 October 2020	0.370
30 November 2020	0.405
16 December 2020 (being the last trading day prior to the Offer Period Commencement Date)	0.400
31 December 2020	0.590
18 January 2021 (Last Trading Day)	0.580
29 January 2021	0.620
26 February 2021	0.600
31 March 2021	0.600
30 April 2021	0.620
31 May 2021	0.620
25 June 2021 (Latest Practicable Date)	0.620

The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.345 per Share each on 23 September 2020, 5 October 2020, 6 October 2020 and 7 October 2020, respectively, and HK\$0.63 per Share on each of the trading days during the period from 24 May 2021 to 28 May 2021 and each of the trading days during the period from 1 June 2021 to 22 June 2021, respectively.

4. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, “interested” has the same meaning as given to it in Part XV of the SFO.

(a) Interests in the relevant securities of the Company

- (i) As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties were interested in the following relevant securities of the Company:

Name	Number of Shares	Approximate % of shareholding in the Company (Note 4)
Offeror and Offeror Concert Parties		
Offeror	396,878,888	15.21%
Madam Hsu (Note 1)	317,178,162	12.16%
Mr. Albert Tong	103,210,000	3.96%
Mr. Charles Tong	103,210,000	3.96%
<i>Sub-total of the Tong Family and the Offeror</i>	920,477,050	35.29%
Rollover Shareholder (Note 2)	779,955,407	29.90%
Cosmos Success (Note 3)	255,676,326	9.80%
Aggregate number of Shares held by the Offeror and Offeror Concert Parties	1,956,108,783	74.99%
Independent Shareholders	652,437,728	25.01%
Total number of Shares	2,608,546,511	100.00%

Notes:

- As at the Latest Practicable Date, part of these Shares were held by Nominee Shareholders as nominees for Madam Hsu.
- As at the Latest Practicable Date, these Shares were beneficially held by the Rollover Shareholder, an indirect wholly-owned subsidiary of Zhangjiang Hi-Tech.
- As at the Latest Practicable Date, these Shares were beneficially held by Cosmos Success, an indirect wholly-owned subsidiary of Tomson.
- All percentages in the above table are approximations.

- (ii) As at the Latest Practicable Date, save as disclosed below, none of the Directors was interested within the meaning of Part XV of the SFO in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code).

Name of Directors	Number of Shares			
	Personal interests	Family interests	Corporate interests	Other interests
Madam Liu Ying	Nil	Nil	Nil	Nil
Madam Hsu (<i>Note 2</i>)	317,178,162	Nil	652,555,214	Nil
Mr. Albert Tong (<i>Note 2</i>)	103,210,000	Nil	Nil	Nil
Mr. Charles Tong (<i>Note 2</i>)	103,210,000	Nil	Nil	Nil

Notes:

- A total of 779,955,407 issued Shares (being 29.90% of the total number of issued Shares) were beneficially held by the Rollover Shareholder, which was a wholly-owned subsidiary of Zhangjiang Hi-Tech. Madam Liu Ying was the chairman of the board, secretary of the party committee and legal representative of Zhangjiang Hi-Tech.
- Madam Hsu is mother of Mr. Albert Tong and Mr. Charles Tong. As at the Latest Practicable Date, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong were directors of the Offeror. Madam Hsu, Mr. Albert Tong and Mr. Charles Tong held an interest in 66%, 17% and 17% of the issued shares of the Offeror respectively.

In addition, Madam Hsu entirely controlled the exercise of 33.52% of voting power at general meetings of Tomson while Mr. Albert Tong and Mr. Charles Tong were substantial shareholders of Tomson. Madam Hsu was the chairman of the Tomson Board and managing director of Tomson while Mr. Albert Tong and Mr. Charles Tong were the vice-chairmen of the Tomson Board.

- Madam Hsu was interested and deemed to be interested in an aggregate of 969,733,376 issued Shares (being 37.17% of the total number of issued Shares) pursuant to the SFO in the following ways:
 - Madam Hsu held in her capacity as a beneficial owner an interest in 317,178,162 issued Shares (being 12.16% of the total number of issued Shares);
 - A total of 396,878,888 issued Shares (being 15.21% of the total number of issued Shares) were beneficially held by the Offeror. By virtue of her beneficial interest in the Offeror, Madam Hsu was deemed to be interested in these Shares through a corporation controlled by her; and
 - A total of 255,676,326 issued Shares (being 9.80% of the total number of issued Shares) were beneficially held by Cosmos Success, a wholly-owned subsidiary of Tomson. By virtue of her beneficial interest in Tomson, Madam Hsu was deemed to have an interest in these Shares through a corporation controlled by her.
- Mr. Albert Tong held in his capacity as a beneficial owner an interest in 103,210,000 issued Shares (being 3.96% of the total number of issued Shares).
- Mr. Charles Tong held in his capacity as a beneficial owner an interest in 103,210,000 issued Shares (being 3.96% of the total number of issued Shares).

- (iii) Each of Madam Hsu, Mr. Albert Tong and Mr. Charles Tong, being Offeror Concert Parties, will abstain from voting at the Court Meeting in respect of their shareholding in the Company.
- (iv) As at the Latest Practicable Date, save as disclosed above, 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. No such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.
- (v) As at the Latest Practicable Date, 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.
- (vi) As at the Latest Practicable Date, no fund managers connected with the Company managed on a discretionary basis held any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (vii) As at the Latest Practicable Date, none of the Company or any Director had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed securities which had been either on-lent or sold.
- (viii) As at the Latest Practicable Date, save as disclosed in sub-paragraphs (i) and (ii) of this paragraph above, none of the Offeror Concert Parties in respect of the Proposal and the directors of the Offeror owned or controlled, or were interested in, any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (ix) As at the Latest Practicable Date, save as contemplated under the Rollover Agreement, neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.
- (x) As at the Latest Practicable Date, none of the Offeror or Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed securities which had either been on-lent or sold.

(b) Dealing in the relevant securities of the Company

- (i) None of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period.
- (ii) No subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of 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 other than the trustee) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.
- (iii) 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 any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” 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 had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.
- (iv) No fund manager connected with the Company who managed on a discretionary basis any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.
- (v) None of the Offeror, the Offeror Concert Parties and the Offeror Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period:
- (vi) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.

(c) Interests in the relevant securities of the Offeror

- (i) As at the Latest Practicable Date, the Company did not own any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

- (ii) As at the Latest Practicable Date, save for Tong Family, none of the Directors were interested within the meaning of Part XV of the SFO in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

(d) Dealing in the relevant securities of the Offeror

During the Relevant Period, neither the Company nor any Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

5. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

(a) Arrangements affecting the Directors

As at the Latest Practicable Date:

- (i) no benefit (other than statutory compensation required under appropriate laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (ii) save for the Framework Agreement and the Rollover Agreement, there were no agreements or arrangements between any Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (iii) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

(b) Arrangements with the Offeror in connection with the Proposal

As at the Latest Practicable Date:

- (i) other than the Framework Agreement and the Rollover Agreement, there was no agreement, arrangement or undertaking, including any compensation arrangement, between the Offeror or any of the Offeror Concert Parties on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Proposal;
- (ii) there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;

- (iii) the Offeror had no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Scheme to any other person, and had no agreement, arrangement or understanding with any third party to do so;
- (iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person and the Offeror or any of the Offeror Concert Parties or any of the Offeror's associates;
- (v) other than the Cancellation Price for each Scheme Share 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 for the cancellation of the Scheme Shares under the Scheme;
- (vi) there was no understanding, arrangement or agreement which constituted a special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and the Offeror Concert Parties on one hand and the holders of Scheme Shares and persons acting in concert with them on the other hand; and
- (vii) there was no understanding, arrangement or agreement which constituted a special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder on one hand; and (ii) the Company, its subsidiaries or associated companies on the other hand.

6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within the six (6) months before the date of the Rule 3.7 Announcement; (ii) was a continuous contract with a notice period of twelve (12) months or more; or (iii) was a fixed term contract with more than twelve (12) months to run irrespective of the notice period.

7. 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 known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, none of the Company or any of its subsidiaries have entered into any material contracts after the date which was two years before the Offer Period Commencement Date up to and including the Latest Practicable Date.

9. EXPERTS

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

Name	Qualifications
Altus Capital Limited	a licensed corporation to carry out 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 connection with the Proposal, the Scheme and the Special Deals
Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司)	independent assets appraiser

10. 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 text of its opinions and/or letters and/or the references to its name and/or opinions and/or letters, as the case may be, in the form and context in which they respectively appear.

11. MISCELLANEOUS

- (a) The principal members of the Offeror Concert Parties are Madam Hsu, Mr. Albert Tong, Mr. Charles Tong, Tomson, Nominee Shareholders, Zhangjiang Hi-Tech and the Rollover Shareholder.
- (b) The registered office of the Offeror is situated at Rooms 1507-12, 15th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (c) The Offeror is incorporated in Hong Kong with limited liability on 10 May 2005.
- (d) The directors of Offeror are Madam Hsu, Mr. Albert Tong and Mr. Charles Tong.

- (e) The Offeror is ultimately beneficially owned as to 66% by Madam Hsu, 17% by Mr. Albert Tong and 17% by Mr. Charles Tong.
- (f) The correspondence address of Madam Hsu, Mr. Albert Tong, Mr. Charles Tong is Rooms 1507-12, 15th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (g) The directors of Tomson are Madam Hsu, Mr. Albert Tong, Mr. Charles Tong, Mr. Cheung Siu Ping, Oscar, Mr. Lee Chan Fai and Mr. Sean S J Wang.
- (h) Tomson is ultimately beneficially owned as to approximately 33.52% by Madam Hsu.
- (i) The registered office of Tomson is situated at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business in Hong Kong of Tomson is situated at Rooms 1501-2 and 1507-12, 15th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (j) The directors of each of the Nominee Shareholders are Ms. Luk Pui Ki, Paulina and Wayman Corporation Limited of which Ms. Luk is the sole director and shareholder.
- (k) The registered office of Zhangjiang Hi-Tech is situated at No. 200 Long Dong Avenue, Pudong New Area, Shanghai, the PRC.
- (l) The directors of Zhangjiang Hi-Tech are Madam Liu Ying, Mr. He Dajun, Mr. Chen Yamin, Mr. Jin Mingda, Mr. Li Ruoshan and Mr. You Jianxin.
- (m) Zhangjiang Hi-Tech is a subsidiary of Shanghai Zhangjiang (Group) Co., Ltd.* (上海張江(集團)有限公司) which is wholly owned by the State-owned Assets Supervision and Administration Commission of Pudong New Area of Shanghai, the PRC. The directors of Shanghai Zhangjiang (Group) Co., Ltd.* (上海張江(集團)有限公司) are Mr. Yuan Tao, Ms. Chen Wei Wei, Mr. Zhang Ai Ping, Mr. Bao Chun Qian and Mr. Lu Qin.
- (n) The registered office of the Rollover Shareholder is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (o) The directors of the Rollover Shareholder are Ms. Lu Ying and Mr. Wang Fahua.
- (p) The Rollover Shareholder is an indirect wholly-owned subsidiary of Zhangjiang Hi-Tech.
- (q) YXCL is the financial adviser of the Offeror in relation to the Proposal, and its registered address is at 19th Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.
- (r) The registered office of the Company is situated at Rooms 1501-2 and 1507-12, 15th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at <https://www.sfc.hk>; (ii) on the website of the Company at <http://www.rivera.com.hk>; and (iii) during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong) (Hong Kong time) at the registered office of the Company at Rooms 1501-2 and 1507-12, 15th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, from the date of this Scheme Document up to the Effective Date or the date on which the Proposal lapses or is withdrawn:

- (a) the articles of association of the Company;
- (b) the articles of association of the Offeror;
- (c) the annual reports of the Company for the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- (d) the letter from the Board, the text of which is set out on pages 16 to 29 of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 30 to 31 of this Scheme Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 32 to 86 of this Scheme Document;
- (g) the valuation report on SZMP, the text of which is set out in Appendix II to this Scheme Document;
- (h) the written consents referred to in the paragraph headed “10. Consents” in this Appendix III to this Scheme Document;
- (i) the Rollover Agreement; and
- (j) this Scheme Document.

HCMP No. 651 of 2021

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 651 OF 2021**

**IN THE MATTER OF
RIVERA (HOLDINGS) LIMITED
川河集團有限公司**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
(CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION)**

**SCHEME OF ARRANGEMENT
Under section 673 of the Companies Ordinance
(Chapter 622 of the Laws of the Hong Kong Special Administrative Region)**

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Board”	the board of Directors
“Business Day(s)”	a day which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the price of HK\$0.65 per Scheme Share payable in cash to the Scheme Shareholders pursuant to this Scheme
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Rivera (Holdings) Limited (川河集團有限公司), a company incorporated in Hong Kong with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 281)

“Conditions”	the conditions of the Proposal, as set out under the paragraph headed “3. Conditions of the Proposal” in the “Explanatory Statement” section on pages 91 to 94 of the Scheme Document
“Cosmos Success”	Cosmos Success Development Limited (國勝發展有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Tomson
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which this Scheme becomes effective in accordance with the Companies Ordinance
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Framework Agreement”	the framework agreement entered into between the Offeror and Zhangjiang Hi-Tech on 18 January 2021 (as amended by the supplemental agreement entered into between the Offeror and Zhangjiang Hi-Tech on 5 March 2021)
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors pursuant to Rule 2.8 of the Takeovers Code, which is established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal, this Scheme and the Special Deals
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out 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 connection with the Proposal, this Scheme and the Special Deals
“Independent Shareholder(s)”	all Shareholders, other than the Offeror and the Offeror Concert Parties
“Latest Practicable Date”	25 June 2021, being the last practicable date for ascertaining certain information contained in the Scheme Document

“Long Stop Date”	31 December 2021, or such later date the Offeror may determine or, to the extent applicable as the Executive may consent and the High Court may direct
“Madam Hsu”	Hsu Feng (徐楓), an executive Director and the chairman of the executive committee of the Board, and also the mother of Mr. Albert Tong and Mr. Charles Tong
“Mr. Albert Tong”	Albert Tong (湯子同), an executive Director, a son of Madam Hsu and the younger brother of Mr. Charles Tong
“Mr. Charles Tong”	Tong Chi Kar Charles (湯子嘉), an executive Director, a son of Madam Hsu and the elder brother of Mr. Albert Tong
“Nominee Shareholders”	collectively, Brightsec Limited, Nankeen (Nominees) Limited, Nomsec No. 1 Limited and Nomsec No. 2 Limited, companies incorporated in Hong Kong with limited liability and acting as nominee of Madam Hsu in respect of certain of her shareholding in the Company
“Offeror”	Step Famous Investment Limited (進譽投資有限公司), a company incorporated in Hong Kong with limited liability
“Offeror Concert Parties”	persons acting in concert with the Offeror, including but not limited to (i) Madam Hsu, Mr. Albert Tong, Mr. Charles Tong, Tomson, and companies controlled by one or more of them (which include Tomson Group (including Cosmos Success)); (ii) Nominee Shareholders, all acting as nominees of Madam Hsu in respect of certain of her shareholding in the Company; and (iii) Zhangjiang Hi-Tech, the Rollover Shareholder and the companies controlled by any of them
“PRC”	the People’s Republic of China (for the purpose of the Scheme Document, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of this Scheme as described in the Scheme Document
“Register”	the register of members of the Company
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Rollover Agreement”	the rollover agreement entered into between the Offeror and the Rollover Shareholder on 18 January 2021

“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholder under the Rollover Agreement
“Rollover Shareholder”	Best Central Developments Limited, a company incorporated in the British Virgin Islands with limited liability and indirect wholly owned by Zhangjiang Hi-Tech
“Scheme”	this scheme of arrangement under section 673 of the Companies Ordinance in its present form (subject to any modifications or additions or conditions as may be approved or imposed by the High Court and agreed to by the Offeror), involving the cancellation and extinguishment of all the Scheme Shares and the restoration of the share capital of the Company to the amount immediately before the cancellation and extinguishment of the Scheme Shares
“Scheme Document”	the composite document dated 30 June 2021 issued jointly by the Offeror and the Company, including each of the letters, statements, appendices (including this Scheme) and notices in it
“Scheme Record Date”	Tuesday, 17 August 2021, or such other date as shall be announced to the Shareholders, being the record date for the purpose of determining entitlements of the Scheme Shareholders under this Scheme
“Scheme Share(s)”	Share(s) in issue on the Scheme Record Date held by the Shareholders, other than those held by the Offeror and the Offeror Concert Parties (other than Cosmos Success)
“Scheme Shareholder(s)”	registered holders of the Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Registrar”	Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s share registrar
“Shareholder(s)”	holder(s) of Share(s)

“Special Deals”	the Rollover Arrangement and the SZMP Transfer contemplated under the Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZMP”	Shanghai Zhangjiang Micro-electronics Port Co. Ltd. (上海張江微電子港有限公司), a limited liability company established in the PRC and an associated company of the Company
“SZMP Transfer”	the proposed transfer of approximately 10.503% interests in the registered capital of SZMP held by Advance Investments Limited (飛躍投資有限公司), a company incorporated in Hong Kong with limited liability and indirect wholly owned by the Company, to Zhangjiang Hi-Tech as contemplated under the Framework Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tomson”	Tomson Group Limited (湯臣集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 258)
“Tomson Group”	Tomson and its subsidiaries (including but not limited to Cosmos Success)
“Tong Family”	collectively, Madam Hsu, Mr. Albert Tong and Mr. Charles Tong
“YXCL”	Yue Xiu Capital Limited, being the financial adviser to the Offeror in relation to the Proposal, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
“Zhangjiang Hi-Tech”	Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司), a limited liability company established in the PRC, whose shares are listed on the Shanghai Stock Exchange
“%”	per cent or percentage

- (B) As at the Latest Practicable Date, the issued share capital of the Company comprised 2,608,546,511 Shares.
- (C) As at the Latest Practicable Date, the Offeror owned as to 66% by Madam Hsu, 17% by Mr. Albert Tong and 17% by Mr. Charles Tong.
- (D) As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties, including Madam Hsu, Mr. Albert Tong, Mr. Charles Tong, the Rollover Shareholder and Cosmos Success, held in aggregate 1,956,108,783 Shares representing approximately 74.99% of the total issued Shares.
- (E) As at the Latest Practicable Date, the Scheme Shares, comprising 908,114,054 Shares, represented approximately 34.81% of the total issued Shares.
- (F) The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled so that the Company shall thereafter be owned as to (i) 50.02% by the Offeror, (ii) 20.08% by the Tong Family, being Offeror Concert Parties, and (iii) 29.90% by the Rollover Shareholder, being an Offeror Concert Party. The reserve created in the Company's books of account as a result of any reduction in issued share capital will be applied to the paying up in full of the new Shares so issued to the Offeror.
- (G) The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

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

1. On the Effective Date:
 - (a) the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company shall be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the reserve created in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full the new Shares so issued pursuant to paragraph (b) above, which shall be allotted and issued, credited as fully paid, to the Offeror.

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

2. Subject to this Scheme becoming binding and effective in accordance with its terms, each of the Scheme Shares will be cancelled and extinguished in exchange for the Cancellation Price to be paid by the Offeror.

PART III**GENERAL**

3.
 - (a) As soon as possible and but in any event within seven (7) Business Days following the Effective Date, the Offeror shall post or cause to be posted cheques for the Cancellation Price to the Scheme Shareholders pursuant to paragraph 2 of this Scheme.
 - (b) In the absence of any specific instructions to the contrary received in writing by the Share Registrar, such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses as appearing in the Register as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the Register as at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
 - (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.

- (d) All such cheques shall be posted at the risk of the person(s) entitled thereto and none of the Offeror, the Company, YXCL, the Independent Financial Adviser and the Share Registrar and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in this Scheme shall be liable for any loss or delay in despatch.
 - (e) On or after the day being six (6) calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror (or its nominee) 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 name of 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 (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Offeror (or its nominee) shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror (or its nominee) to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiry of six (6) years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under this Scheme and the Offeror (and, if applicable, its nominee) shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
 - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and

- (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, this Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme (with or without modification) and confirming the reduction of issued share capital of the Company resulting from the cancellation of the Scheme Shares together with a minute and a return that comply with subsection (2) and (3) of section 230 of the Companies Ordinance shall have been registered by the Registrar of Companies under Part 2 of the Companies Ordinance.
6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the High Court may see fit to approve or impose.
8. All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, in respect of this Scheme will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels in respect of this Scheme will be borne by the Offeror, and other costs, charges and expenses of this Scheme (including costs for obtaining overseas counsels opinion on the despatch of the Scheme Document) will be shared between the Offeror and the Company equally, except that if the Independent Board Committee or the Independent Financial Adviser does not recommend this Scheme, or this 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.

30 June 2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 651 OF 2021

IN THE MATTER OF
RIVERA (HOLDINGS) LIMITED
川河集團有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 24 June 2021 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the registered holders of the shares (the “**Share(s)**”) in the capital of Rivera (Holdings) Limited (the “**Company**”) (other than those held by Step Famous Investment Limited (the “**Offeror**”), Madam Hsu Feng, Brightsec Limited, Nankeen (Nominees) Limited, Nomsec No.1 Limited, Nomsec No.2 Limited, Mr. Albert Tong, Mr. Tong Chi Kar Charles and Best Central Developments Limited) (the “**Scheme Shares**”) 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 the Company and the holders of the Scheme Shares (the “**Scheme Shareholders**”) as at Scheme Record Date (as defined in the Scheme), and that such Meeting will be held at 11:00 a.m. on Friday, 23 July 2021 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to section 671 of the abovementioned Ordinance, are incorporated in the scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched by post to Scheme Shareholders. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) (a) from the share registrar of the Company, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong and (b) at the office of the Company’s solicitors at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. The Scheme Document is also available at <http://www.rivera.com.hk>.

Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.

In compliance with the Takeovers Code, Shares held by the Offeror and parties acting in concert (as defined in the Takeovers Code) with it may not be voted at the Meeting. Only Shares held by other Scheme Shareholders are eligible for voting thereat.

The above-mentioned Scheme Shareholders may vote in person at the Meeting or they may appoint one or more persons, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the Scheme Document.

In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.

It is requested that forms appointing proxies, together with the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power or authority (in the case of a corporation either under seal or under the hand of an officer or attorney duly authorised and to the satisfaction of the Directors), be lodged at the Company's share registrar as stated above no later than 24 hours before the time appointed for holding the Meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude a holder of Scheme Shares from attending and voting in person at the Meeting or any adjournment thereof. In the event that an eligible Scheme Shareholder attends and votes at the Meeting or any adjournment thereof after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.

Taking into account the recent developments relating to the novel coronavirus ("COVID-19") and to safeguard the health and safety of the shareholders of the Company and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the Meeting:

- (1) Compulsory body temperature checks;
- (2) Completion of health and travel declaration form;
- (3) Wearing of surgical mask before being permitted to attend, and during the attendance of, the Meeting;
- (4) No refreshments or drinks will be served; and
- (5) Attendees will be accommodated in separate partitioned rooms or areas with not more than the number as may be allowed under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) from time to time.

Attendees who do not comply with the precautionary measures (1) to (3) above, or who are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong, or whose body temperature reading is 37.5 degrees Celsius or higher will be denied entry to the venue of the Meeting, at the absolute discretion of the Company. The Shareholders who are denied entry to the venue of the Meeting will be provided with voting slips of the Meeting and may complete, sign and return the voting slips to exercise their voting rights.

The Company strongly urges the Scheme Shareholders, particularly those are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong in relation to COVID-19, to complete, sign and return the enclosed form of proxy in respect of the Meeting pursuant to which you may appoint any person or the chairman of the Meeting as a proxy to vote on the resolution.

For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 19 July 2021 to Friday, 23 July 2021, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar as stated above before 4:30 p.m. on Friday, 16 July 2021.

By the Order, the High Court has appointed Mr. Ng Chi Him, or failing him, Mr. Tsang Kam Chuen, or failing him, any other available director of the Company to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result thereof to the High Court.

The Scheme will be subject to the subsequent sanction of the High Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated 30 June 2021.

Deacons
Solicitors for the Company

5th Floor
Alexandra House
18 Chater Road
Central, Hong Kong

As at the date of this notice, there are nine members of the Board comprising a non-executive chairman who is Madam Liu Ying; four executive Directors who are Madam Hsu, Mr. Albert Tong, Mr. Charles Tong and Mr. Zhao Haisheng; one non-executive Director who is Mr. Sung Tze-Chun; and three independent non-executive Directors who are Mr. Zhang Hong Bin, Mr. Tsang Kam Chuen and Mr. Ng Chi Him.



Tomson Group

RIVERA (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 281)

NOTICE IS HEREBY GIVEN that a general meeting (the “**General Meeting**”) of Rivera (Holdings) Limited (the “**Company**”) will be held at 11:30 a.m. (or immediately after the conclusion or adjournment of the meeting of the holders of the shares of the Company (the “**Shares**”) convened at the direction of the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for the same day and place) on Friday, 23 July 2021 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing, the following:

ORDINARY RESOLUTION

“THAT

- (A) the Special Deals (as defined in the scheme document dated 30 June 2021 and jointly issued by the Company and Step Famous Investment Limited (the “**Scheme Document**”)) be and is hereby approved; and
- (B) any one of the Directors be and is hereby unconditionally authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Special Deals.”

SPECIAL RESOLUTION

“THAT:

- (A) the proposed scheme of arrangement dated 30 June 2021 (the “**Scheme**”) between the Company and the holders of the Scheme Shares (as defined in the Scheme) as at the Scheme Record Date (as defined in the Scheme), in the form of the print contained in the Scheme Document which has been produced to the General Meeting and for the purpose of identification signed by the chairman of the General Meeting, with any modification of or addition to it, or any condition, as may be approved or imposed by the High Court, be and is hereby approved;
- (B) for the purpose of giving effect to the Scheme, on the date on which the Scheme becomes effective in accordance with the Companies Ordinance:
 - (i) the share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;

- (ii) subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company be increased to its former amount by the creation of the same number of new Shares as the number of Scheme Shares cancelled; and
 - (iii) the Company shall apply the reserve created in its books of account as a result of the said reduction of capital in paying up in full the new Shares so issued, which new Shares shall be allotted and issued, credited as fully paid, to the Offeror, and the Directors be and are hereby unconditionally authorised to allot and issue the same accordingly; and
- (C) any one of the Directors be and is hereby unconditionally authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of Shares on the Stock Exchange, subject to the Scheme taking effect; (ii) the reduction of capital of the Company; (iii) the allotment and issue of the Shares referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the High Court may see fit to impose and to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme.”.

By Order of the Board of
RIVERA (HOLDINGS) LIMITED
Lee Yuen Han
Company Secretary

Hong Kong, 30 June 2021

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (ii) At the General Meeting, the chairman of the General Meeting will put forward the above resolutions to be voted on by way of poll.
- (iii) A white form of proxy for use at the General Meeting is enclosed with the Scheme Document.
- (iv) A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more persons, whether a member of the Company or not, as his proxy to exercise all or any of his rights to attend, speak and vote at the General Meeting instead of him. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.
- (v) In order for it to be valid, the white form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority (in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised and to the satisfaction of the Directors), must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 24 hours before the time appointed for holding the General Meeting or any adjournment thereof. Completion and return of the white form of proxy will not preclude a member from attending and voting in person at the General Meeting or any adjournment thereof. In the event that a member attends and votes at the General Meeting after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.

- (vi) In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
- (vii) For the purpose of determining the entitlements of Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Monday, 19 July 2021 to Friday, 23 July 2021, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. (Hong Kong time) on Friday, 16 July 2021.
- (viii) If a tropical cyclone warning signal No.8 or above is hoisted or a black rainstorm warning signal is in force at any time after 7:00 a.m. (Hong Kong time) on the date of the General Meeting, the General Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify members of the date, time and venue of the rescheduled meeting.
- (ix) Taking into account the recent developments relating to the novel coronavirus ("COVID-19"), and to safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the General Meeting:
- (1) Compulsory body temperature checks;
 - (2) Completion of health and travel declaration form;
 - (3) Wearing of surgical mask before being permitted to attend, and during the attendance of, the General Meeting;
 - (4) No refreshments or drinks will be served; and
 - (5) Attendees will be accommodated in separate partitioned rooms or areas with not more than the number as may be allowed under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) from time to time.

Attendees who do not comply with the precautionary measures (1) to (3) above, or who are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong, or whose body temperature reading is 37.5 degrees Celsius or higher will be denied entry to the venue of the General Meeting, at the absolute discretion of the Company. The Shareholders who are denied entry to the venue of the General Meeting will be provided with voting slips of the General Meeting and may complete, sign and return the voting slips to exercise their voting rights.

The Company strongly urges the Shareholders, particularly Shareholders who are subject to health quarantine or compulsory testing prescribed by the Government of Hong Kong in relation to COVID-19, to complete, sign and return the enclosed form of proxy in respect of the General Meeting pursuant to which you may appoint any person or the chairman of the General Meeting as a proxy to vote on the resolutions.

In case of any inconsistency, the English version of this notice shall prevail.

As at the date of this notice, there are nine members of the Board comprising a non-executive chairman who is Madam Liu Ying; four executive Directors who are Madam Hsu, Mr. Albert Tong, Mr. Charles Tong and Mr. Zhao Haisheng; one non-executive Director who is Mr. Sung Tze-Chun; and three independent non-executive Directors who are Mr. Zhang Hong Bin, Mr. Tsang Kam Chuen and Mr. Ng Chi Him.