
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company. This Scheme Document is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction.



Emerald Energy Holdings Limited
(Incorporated in the British Virgin Islands with limited liability)

LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
利福國際集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1212)

(1) PROPOSED PRIVATISATION OF LIFESTYLE INTERNATIONAL HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND (2) PROPOSED WITHDRAWAL OF LISTING

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) shall have the same meaning as those defined in the section headed "Definitions" of this Scheme Document.

A letter from the Board is set out on pages 17 to 32 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal and the Scheme is set out on pages 33 to 34 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in connection with the Proposal and the Scheme is set out on pages 35 to 70 of this Scheme Document. The Explanatory Statement is set out on pages 71 to 97 of this Scheme Document. The actions to be taken by the Shareholders are set out on pages 1 to 3 of this Scheme Document.

Notices convening the Court Meeting and the General Meeting to be held at 10:00 a.m. and 10:30 a.m. on Monday, 21 November 2022 at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong (or, in the case of the General Meeting, as soon thereafter as the Court Meeting shall have concluded or been adjourned) are set out on pages 154 to 156 and 157 to 159 of this Scheme Document respectively.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, 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 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 thereon and to lodge them at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates specified in them. The **white** form of proxy in respect of the General Meeting will not be valid if it is not so lodged. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting if it is not so lodged. Completion and return of a form 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, and, in such event, the relevant form of proxy will be revoked by operation of law.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE GENERAL MEETING

To facilitate the ongoing prevention and control of the COVID-19 pandemic, the Company will implement the following precautionary measures at the Court Meeting and the General Meeting to safeguard the health and safety of the Shareholders and other attendees, including but not limited to:

- (i) body temperature checks
- (ii) scanning of "LeaveHomeSafe" venue QR code and complying with "Vaccine Pass Direction" requirements
- (iii) compulsory wearing of surgical face mask
- (iv) no distribution of corporate gifts or refreshments

The Company wishes to advise all of the Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Court Meeting and/or the General Meeting as a proxy to attend and vote on any of the relevant resolutions, instead of attending the Court Meeting and/or the General Meeting in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising any voting rights.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text for the purpose of interpretation.

27 October 2022

NOTICE TO U.S. INVESTORS

The Proposal and the Scheme relate to the cancellation of the securities of a company incorporated under the laws of the Cayman Islands by way of a scheme of arrangement provided for under the Companies Act. The Proposal and the Scheme are subject to Hong Kong procedural disclosure requirements and practices which are different from those of the United States.

The Shares are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules of the Exchange Act. Accordingly, the Proposal and the Scheme are subject to the procedural and disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement and securities offers, which differ from the disclosure and procedural and practice requirements applicable under United States federal securities laws.

The receipt of cash pursuant to the Proposal or the Scheme by a U.S. holder of the Scheme Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of the Scheme Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal and the Scheme applicable to him/her/it.

It may be difficult for a U.S. holder of the Scheme Shares to enforce his/her/its rights and claims arising out of the U.S. federal securities laws, as the Offeror and the Company are incorporated in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. A U.S. holder of the Scheme Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for a U.S. holder of the Scheme Shares to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court’s judgement.

Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved the Proposal or the Scheme, or determined if this Scheme Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer or invitation to purchase or subscribe for any securities of the Company in the United States.

FORWARD-LOOKING STATEMENTS

This Scheme Document may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Offeror’s, the Company’s or their respective affiliates’ intentions, beliefs or current expectations. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this Scheme Document are made as of the Latest Practicable Date and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

Financial information disclosed in respect of the Proposal and the Scheme has been or will have been prepared in accordance with non-U.S. accounting standards that may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

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ACTIONS TO BE TAKEN

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

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 of members of the Company will be closed from Wednesday, 16 November 2022 to Monday, 21 November 2022 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), 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, the relevant forms of transfer of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 15 November 2022. A subsequent purchaser of Scheme Shares will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the General Meeting.

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.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, 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 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 thereon, and to lodge them at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 10:00 a.m. on Saturday, 19 November 2022, which is 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. The white form of proxy for use at the General Meeting should be lodged at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 10:30 a.m. on Saturday, 19 November 2022, which is 48 hours before the time appointed for holding the General Meeting or any adjournment thereof failing which it will not be valid.

The completion and return of a form 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, and, in such event, the relevant form of proxy will be revoked by operation of law.

ACTIONS TO BE TAKEN

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 Independent Shareholders or 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.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting, in accordance with Rule 19.1 of the Takeovers Code to the extent applicable, on Monday, 21 November 2022 by not later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

2. 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.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, 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, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

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.

ACTIONS TO BE TAKEN

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 should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting, such Beneficial Owner should comply with the requirements of such Registered Owner.

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 an 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 arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to 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.

3. EXERCISE YOUR RIGHT TO VOTE

If you are a shareholder or a beneficial owner, you are strongly urged 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/or at the General Meeting.

If you keep any shares in a share lending programme, you are strongly urged to recall any outstanding shares on loan to avoid market participants using borrowed stock to vote.

If you are a registered owner holding shares on behalf of beneficial owners, you should inform the relevant beneficial owners about the importance of exercising their right to vote.

If approved, the proposal will be binding on all of the Scheme Shareholders, irrespective of whether or not you attended or voted at the Court Meeting or the General Meeting.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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 in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“applicable laws”	any and all laws, rules, regulations, judgments, decisions, decrees, orders, injunctions, treaties, directives, guidelines, standards, notices and/or other legal, regulatory and/or administrative requirements of any Authority
“associate”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself or herself
“Board”	the board of Directors
“Bonds”	means the following debt securities currently listed on the Stock Exchange which are unconditionally and irrevocably guaranteed by the Company: (a) the 4.875% guaranteed bonds due 2024 (stock code: 4471) and the 4.8% guaranteed bonds due 2026 (stock code: 40731) issued by LS Finance (2017) Limited, a wholly-owned subsidiary of the Company; and (b) the 4.50% guaranteed bonds due 2025 issued by LS Finance (2025) Limited, a wholly-owned subsidiary of the Company (stock code: 5535)
“Cancellation Price”	the cancellation price of HK\$5.00 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant

DEFINITIONS

- “Certain Funds Period” from and including the date of the Facility Agreement to and including the earliest of: (i) the date falling six (6) months and seven (7) Business Days after the date of the Facility Agreement (or such later date as JPMSG may agree in writing); (ii) the date on which the Scheme lapses; (iii) the date on which the Scheme is withdrawn; (iv) (if the Scheme becomes effective) the date from which no further payments to the Scheme Shareholders are required under the Scheme; (v) seven (7) Business Days after the Scheme becomes effective; (vi) (if the requisite approval as set out under paragraphs (a) and (b) of the Conditions is not obtained at the Court Meeting) the date on which the Court Meeting is duly convened; (vii) (if the requisite resolution (being a special resolution and an ordinary resolution) as set out under paragraph (c) of the Conditions is not passed at the General Meeting) the date on which the General Meeting is duly convened; and (viii) the date on which the non-revolving loan is made available to the Offeror pursuant to the Facility Agreement; and “Business Days” in this definition shall mean a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong and Singapore
- “Company” Lifestyle International Holdings Limited 利福國際集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1212)
- “Companies Act” the Companies Act (2022 Revision) of the Cayman Islands
- “Condition(s)” the condition(s) to the implementation of the Proposal as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement
- “Court Meeting” a meeting of the Scheme Shareholders convened at the direction of the Grand Court to be held at 10:00 a.m. on Monday, 21 November 2022 at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
- “DBSAC” DBS Asia Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Proposal
- “DBS Group” DBS Group Holdings Limited and its subsidiaries from time to time, including but not limited to DBSAC

DEFINITIONS

“Directors”	the directors of the Company
“Dynamic Castle”	Dynamic Castle Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Lau
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) 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, the text of which is set out on pages 71 to 97 of this Scheme Document
“Facility Agreement”	a facility agreement dated 5 August 2022 entered into between, among other parties, the Offeror and JPMSG (as amended and/or supplemented from time to time), pursuant to which JPMSG will extend a non-revolving facility to the Offeror to finance the Proposal
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“General Meeting”	an extraordinary general meeting of the Company at 10:30 a.m. on Monday, 21 November 2022 at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong (or as soon as thereafter immediately after the Court Meeting shall have been concluded or adjourned) for the purpose of approving, among other things, the reduction of the share capital of the Company and the implementation of the Scheme
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Directors comprising Mr. Doo Wai Hoi, William, a non-executive Director of the Company and Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung, all being the Independent Non-executive Directors of the Company
“Independent Financial Adviser” or “Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (b) voting by the Independent Shareholders at the Court Meeting and the General Meeting
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Joint Announcement”	the joint announcement dated 5 August 2022 issued by the Offeror and the Company in relation to the Proposal
“JPMSG”	JPMorgan Chase Bank, N.A., Singapore Branch
“Last Trading Date”	4 August 2022, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
“Latest Practicable Date”	24 October 2022, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	means 3 February 2023, or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the Grand Court may direct

DEFINITIONS

“Meeting Record Date”	Monday, 21 November 2022, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the General Meeting
“Mr. Lau”	Mr. Lau Luen Hung, Thomas, a non-executive Director and the Chairman of the Company and the sole shareholder and the ultimate beneficial owner of the Offeror
“Mr. Lau’s SPV Entities”	United Goal and Dynamic Castle
“Ms. Chan”	Ms. Chan Hoi Wan, the spouse of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau
“Ms. Lau”	Ms. Lau Yuk Chun, Mary, a younger sister of Mr. Lau
“Ms. Lau’s SPV Entity”	Chaker Investment Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Ms. Lau
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on the date of the Joint Announcement (i.e. 5 August 2022) and will end on the date the Scheme becomes effective or lapses
“Offeror”	Emerald Energy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Lau
“Offeror Concert Parties”	persons acting, or presumed to be acting, in concert with the Offeror (including but not limited to the Offeror Concert Parties Subject to the Scheme and the Offeror Concert Parties Not Subject to the Scheme)
“Offeror Concert Parties Not Subject to the Scheme”	Mr. Lau and Mr. Lau’s SPV Entities
“Offeror Concert Parties Subject to the Scheme”	Ms. Lau, Ms. Lau’s SPV Entity, the Trust, Ms. Chan and the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code)

DEFINITIONS

“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“PRC”	the People’s Republic of China and, for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange, on the terms and subject to the Conditions as described in this Scheme Document
“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 of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Act
“Relevant Period”	the period commencing on the date falling six months prior to the date of the Joint Announcement (i.e. 5 February 2022), and ending on the Latest Practicable Date
“relevant securities”	has the meaning given to it in Note 4 to Rule 22 of the Takeovers Code
“Scheme”	the scheme of arrangement proposed under section 86 of the Companies Act between the Company and the Scheme Shareholders for the implementation of the Proposal
“Scheme Document”	this composite scheme document (which contains, among other things, further details of the Proposal), the accompanying forms of proxy and notices of the Court Meeting and the General Meeting, despatched by the Offeror and the Company to all Shareholders as required by the Takeovers Code
“Scheme Shares”	the Shares in issue on the Meeting Record Date and/or the Scheme Record Date, as the case may be, other than those Shares held by the Offeror and Offeror Concert Parties Not Subject to the Scheme
“Scheme Shareholders”	(i) for the purpose of the Court Meeting, the registered holders of the Scheme Shares as at the Meeting Record Date; and (ii) for the purpose of the Scheme, the registered holders of the Scheme Shares as at the Scheme Record Date

DEFINITIONS

“Scheme Record Date”	Monday, 19 December 2022 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“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)”	the ordinary shares with nominal value of HK\$0.005 each of the Company
“Share Registrar”	Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being the Hong Kong branch share registrar of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trust”	a trust for an estate in which certain family members of Mr. Lau have an interest. Mr. Lau and Ms. Lau Yuk Wai, Amy, a non-executive director of the Company, are two of the trustees of such trust and each of Mr. Lau Kam Sen and Ms. Lau Kam Shim (being children of Mr. Lau and executive directors of the Company) and Ms. Lau Yuk Wai, Amy (being an elder sister of Mr. Lau), is a beneficiary of such trust
“Unaudited Adjusted NAV”	the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2022, taking into account the market valuation of the properties of the Group attributable to the Company as at 31 July 2022 as set out in Appendix II, and related tax effects and other adjustments as appropriate, as more particularly set out in Appendix I to this Scheme Document
“United Goal”	United Goal Resources Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately owned as to 80% by Mr. Lau through his controlled corporations and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau
“U.S.” or “United States”	United States of America

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition for the sanction of the Scheme and the Effective Date, which are the relevant dates in Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

EXPECTED TIMETABLE

All dates are subject to the availability of the Grand Court. 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 times and dates.

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

Despatch of this Scheme Document Thursday, 27 October 2022

Latest time for lodging transfers of Shares in order to
qualify for entitlement to attend and vote at the
Court Meeting and the General Meeting 4:30 p.m. on
Tuesday, 15 November 2022

Register of members of the Company closed
for determining entitlement to attend and vote
at the Court Meeting and the General Meeting
(Note 1). Wednesday, 16 November 2022 to
Monday, 21 November 2022
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

- Court Meeting (Note 2) 10:00 a.m. on
Saturday, 19 November 2022
- General Meeting (Note 2) 10:30 a.m. on
Saturday, 19 November 2022

Meeting Record Date Monday, 21 November 2022

Court Meeting (Notes 3 and 4) 10:00 a.m. on
Monday, 21 November 2022

General Meeting (Notes 3 and 4) 10:30 a.m. on
Monday, 21 November 2022
(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 website of the
Stock Exchange. no later than 7:00 p.m. on
Monday, 21 November 2022

EXPECTED TIMETABLE

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

Expected latest time for trading of Shares on the Stock Exchange.	4:10 p.m. on Tuesday, 6 December 2022
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Friday, 9 December 2022
Register of members of the Company closed for determining entitlements under the Scheme (<i>Note 5</i>)	from Monday, 12 December 2022 onwards
Grand Court hearing of the petition for the sanction of the Scheme (<i>Note 6</i>)	Thursday, 15 December 2022 (Cayman Islands time)
Announcement of (1) the results of the Grand Court hearing for the petition for the sanction of the Scheme, (2) the expected Effective Date and (3) the expected date of withdrawal of listing of Shares on the Stock Exchange posted on the website of the Stock Exchange.	at or before 8:30 a.m. on Monday, 19 December 2022
Scheme Effective Date.	Monday, 19 December 2022 (Cayman Islands time)
Scheme Record Date.	Monday, 19 December 2022
Announcement of (1) the Effective Date and (2) the withdrawal of listing of Shares on the Stock Exchange posted on the website of the Stock Exchange	at or before 8:30 a.m. on Tuesday, 20 December 2022
Expected withdrawal of listing of Shares on the Stock Exchange becomes effective (<i>Note 7</i>)	4:00 p.m. on Tuesday, 20 December 2022
Latest time to despatch cheques for the cash payment under the Scheme (<i>Note 8</i>)	on or before Friday, 30 December 2022

EXPECTED TIMETABLE

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the General Meeting should be lodged no later than the time and date stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting if it is not so lodged. The **white** form of proxy in respect of the General Meeting will not be valid if it is not so lodged. The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he, she or it so wishes. In such event, the returned form of proxy will be revoked by operation of law.
3. The Court Meeting and the General Meeting will be held at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong at the times and dates specified above.
4. The articles of association of the Company do not contain specific provisions that allow Shareholders to attend and vote in shareholders' meetings (including the Court Meeting and the General Meeting) virtually. Accordingly, the Court Meeting and the General Meeting will each be held solely as a physical meeting. Shareholders unable to physically attend the Court Meeting and/or the General Meeting may appoint a proxy by submitting the relevant form(s) of proxy (as further detailed below).

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control the spread of COVID-19, the Company will implement the following precautionary measures at the Court Meeting and the General Meeting to safeguard the health and safety of the attending Shareholders:

- (i) Compulsory body temperature checks will be conducted for every attendee at the entrance of the Court Meeting and the General Meeting venue.
- (ii) All attendees are required to scan the "LeaveHomeSafe" venue QR code and comply with the requirements of the "Vaccine Pass Direction" upon entering the Court Meeting and the General Meeting venue.
- (iii) Attendees must wear surgical face masks inside the Court Meeting and the General Meeting venue at all times.
- (iv) No refreshments will be served, and no corporate gifts will be distributed.

EXPECTED TIMETABLE

To the extent permitted under law, the Company reserves the right to deny entry into the Court Meeting and/or the General Meeting venue or require any person to leave the Court Meeting and/or the General Meeting venue in order to ensure the safety of the attendees at the relevant meeting. Shareholders and/or their representatives who are denied entry to the venue of the Court Meeting and/or the General Meeting will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineer (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 pandemic from time to time).

The Company reminds all Shareholders that physical attendance in person at the Court Meeting and/or the General Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the Court Meeting and the chairman of the General Meeting as their proxy to vote on the relevant resolutions at the Court Meeting and/or the General Meeting instead of attending the relevant meeting in person.

The forms of proxy are attached to this Scheme Document. Alternatively, the form of proxy can be downloaded from the Company's website at www.lifestylehk.com.hk. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Voting Instructions

The Company wishes to advise all of the Shareholders that the only ways to vote for any proposed resolution(s) in the Court Meeting and/or the General Meeting are (i) to attend the physical Court Meeting and/or the General Meeting at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong or (ii) to appoint any person or the chairman of the Court Meeting and/or the General Meeting as a proxy to attend and vote on any of the relevant resolutions by completing and lodging the relevant form(s) of proxy in accordance with the instructions contained therein. Shareholders are reminded to mark their voting decision (for or against, as the case may be) on the relevant form(s) of proxy.

Please see the notice of the Court Meeting as set out on pages 154 to 156 of this Scheme Document and the notice of the General Meeting as set out on pages 157 to 159 of this Scheme Document.

5. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for the entitlements under the Scheme.
6. The Grand Court hearing will be held at the Grand Court. Scheme Shareholders have the right to attend, or appear by counsel, and be heard on the hearing of the petition. The Scheme will become effective upon all the Conditions set out in the paragraph headed "*Conditions of the Proposal*" in the Explanatory Statement of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be). The Scheme shall become effective when an office copy of the order of the Grand Court sanctioning the Scheme (with or without modification) under section 86 of the Companies Act and confirming the reduction of the share capital of the Company involved in the Scheme together with a minute and a return that comply with section 86 of the Companies Act shall have been delivered and registered by the Registrar of Companies in the Cayman Islands.
7. 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 4:00 p.m. on Tuesday, 20 December 2022.

EXPECTED TIMETABLE

8. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Offeror Concert Parties, the Company, DBSAC, 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 the despatch of the same.

LETTER FROM THE BOARD



LIFESTYLE INTERNATIONAL HOLDINGS LIMITED

利福國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1212)

Executive Directors:

Mr. Lau Kam Sen
Ms. Lau Kam Shim

Non-executive Directors:

Mr. Lau Luen Hung, Thomas (Chairman)
Mr. Doo Wai Hoi, William
Ms. Lau Yuk Wai, Amy

Independent Non-executive Directors:

Mr. Lam Siu Lun, Simon
Mr. Shek Lai Him, Abraham
Mr. Hui Chiu Chung
Mr. Ip Yuk Keung

Registered Office:

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

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

20th Floor, East Point Centre
555 Hennessy Road
Causeway Bay
Hong Kong

27 October 2022

To the Shareholders

**(1) PROPOSED PRIVATISATION OF
LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

Reference is made to the joint announcement dated 5 August 2022 issued by the Offeror and the Company in relation to the Proposal. On 1 August 2022, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act, subject to the Conditions being fulfilled or waived, as applicable.

LETTER FROM THE BOARD

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme, information regarding the Company, the expected timetable and to give you notices of the Court Meeting and of the General Meeting (together with forms of proxy in relation thereto).

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 33 to 34 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 35 to 70 of this Scheme Document; (iii) the Explanatory Statement set out on pages 71 to 97 of this Scheme Document; and (iv) the terms of the Scheme set out on pages 146 to 153 of this Scheme Document.

2. TERMS OF THE PROPOSAL

The Scheme

Subject to the Conditions described in the sections headed “*Conditions of the Proposal*” in the Explanatory Statement on pages 74 to 78 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

If the Proposal is approved and implemented, under the Scheme:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder as at the Scheme Record Date of the Cancellation Price in cash for each Scheme Share cancelled and extinguished;
- (b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be restored to the amount immediately before the cancellation and extinguishment of the Scheme Shares by the allotment and issuance to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror; and
- (c) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place as soon as practicable after the Effective Date.

Upon the Scheme becoming effective, the Offeror and the Offeror Concert Parties Not Subject to the Scheme will hold all the issued Shares of the Company.

LETTER FROM THE BOARD

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Cancellation Price of HK\$5.00 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

Comparison of value

The Cancellation Price of HK\$5.00 per Scheme Share represents:

- (a) a premium of approximately 10.13% over the closing price of HK\$4.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 62.34% over the closing price of HK\$3.080 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 75.93% over the average closing price of approximately HK\$2.842 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 81.88% over the average closing price of approximately HK\$2.749 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 70.11% over the average closing price of approximately HK\$2.939 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 58.66% over the average closing price of approximately HK\$3.151 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 48.08% over the average closing price of approximately HK\$3.376 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 38.72% over the average closing price of approximately HK\$3.604 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 30.01% over the average closing price of approximately HK\$3.846 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (j) a premium of approximately 182.92% over the consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.767 as at 31 December 2021, based on the audited consolidated net asset value and total number of issued Shares at 31 December 2021;

LETTER FROM THE BOARD

- (k) a premium of approximately 287.54% over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.290 as at 30 June 2022; and
- (l) a discount of approximately 52.83% to the Unaudited Adjusted NAV per Share of approximately HK\$10.60 as at 30 June 2022.

As set out in the section headed “*Basis for determining the Cancellation Price*” in the Explanatory Statement on page 74 of this Scheme Document, the Cancellation Price has been determined by the Offeror after taking into account, among others, the recently traded prices of the Shares on the Stock Exchange and the publicly available financial information of the Company as at 31 December 2021 and 30 June 2022, and with reference to pricing premium for privatisation transactions in Hong Kong for the past 24 months.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

Dividend payment by the Company

The Company (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$5.00 per Scheme Share and 376,818,208 Scheme Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued on or before the Scheme Record Date, the maximum amount of cash required to effect the Proposal would be approximately HK\$1,884,091,040.00.

The Offeror’s payment obligations to the Scheme Shareholders as at the Scheme Record Date in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the Proposal through a non-revolving facility made available to the Offeror by JPMSG during the Certain Funds Period.

DBSAC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

LETTER FROM THE BOARD

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 Conditions set out in the section headed “*Conditions of the Proposal*” in the Explanatory Statement on pages 74 to 78 of this Scheme Document.

The Offeror has reserved the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (d) on approvals at the Court Meeting and the General Meeting and government and regulatory approvals, which may not be waived) in whole or in part. The Company does not have the right to waive any of the Conditions.

All of the above Conditions will have to be fulfilled or (where permitted) waived, as applicable, on or before the Long Stop Date, failing which the Scheme will not become effective and the Proposal will lapse. 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 or the Scheme if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal or the Scheme.

With reference to the Condition in paragraph (h), consent from majority lenders of an existing banking facility is required on, amongst other things, the arrangement of the Scheme and the delisting of Shares, and the change of the shareholding structure and board composition. The Company has obtained consent from the agent of the existing banking facility and amendments to the facility agreement will be made in due course to cater for the withdrawal of listing of the Shares as the Group will no longer be a listed group of companies if the Scheme becomes effective.

If the Conditions are satisfied or (where applicable) waived and the Scheme becomes effective, the Scheme will be binding on the Company and all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

LETTER FROM THE BOARD

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the General Meeting on Monday, 21 November 2022 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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

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

3. ARRANGEMENTS MATERIAL TO THE PROPOSAL

Pursuant to Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if, in addition to satisfying any voting requirements imposed by the Companies Act:

- (a) the Scheme is approved by at least 75% of the votes attaching to the disinterested shares that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all disinterested shares.

As such, any vote by the Offeror or any of the Offeror Concert Parties who are interested in the Scheme Shares will be disregarded in deciding whether the relevant approval threshold has been met. The Offeror and the Offeror Concert Parties who are interested in the Scheme Shares will abstain from voting on the Scheme at the Court Meeting.

LETTER FROM THE BOARD

Each of the Offeror, and Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court not to attend and/or vote at the Court Meeting and will procure the registered holder will not be instructed to, and will not, vote such Shares at the Court Meeting. In addition,

- (i) the Trust (by one of its trustees), Ms. Lau, Ms. Lau's SPV Entity and Ms. Chan have provided undertakings to the Grand Court before the directions hearing for the convening of the Court Meeting to consent and agree to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purposes of giving effect to the Scheme and to receive the Cancellation Price in consideration for cancellation of his/her Scheme Shares under the Scheme; and
- (ii) the Offeror and the Offeror Concert Parties Not Subject to the Scheme have provided undertakings to the Grand Court before the directions hearing for the convening of the Court Meeting to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purposes of giving effect to the Scheme.

(Please see the section headed "Arrangements Material to the Proposal" in the Explanatory Statement on pages 79 to 80 of this Scheme Document for details)

Save as set out above, as at the Latest Practicable Date,

- (a) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror between the Offeror or the Offeror Concert Parties and any other person which might be material to the Proposal;
- (b) there was no agreement or arrangement to which the Offeror or the Offeror Concert Parties was a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition; and
- (c) neither the Offeror nor the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.

4. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the paragraph headed "Reasons for and Benefits of the Proposal" in the Explanatory Statement on pages 83 to 86 of this Scheme Document.

5. INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP

Your attention is drawn to the paragraph headed "Intention of the Offeror in respect of the Group" in the Explanatory Statement page 86 of this Scheme Document.

LETTER FROM THE BOARD

The Board is pleased to note that the Offeror intends to continue the existing business of the Group, which principally comprises operation of department stores, property development and investment in Hong Kong, upon successful implementation of the Proposal and the Scheme. The Offeror does not have any plan to make any material change to:

- (a) the existing principal businesses of the Group, including any major redeployment of the fixed assets of the Group; or
- (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

The Board also notes that after completion of the Proposal and subject to compliance with the relevant obligations of the Company and its subsidiaries under certain existing facilities, Mr. Lau plans to diversify the business model of the Group and make new investments when opportunities arise.

6. SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no other 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:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the issued Shares	Number of Shares	Approximate % of the issued Shares
(A) Offeror ^{(Note (1))}	—	—	376,818,208	25.09
(B) Offeror Concert Parties				
Not Subject to the Scheme				
Mr. Lau	113,403,292	7.55	113,403,292	7.55
Mr. Lau's SPV Entities ^{(Note (2))}	1,011,694,500	67.36	1,011,694,500	67.36
(C) Offeror Concert Parties				
Subject to the Scheme ^{(Note (3))}				
The Trust ^{(Note (4))}	951,000	0.06	—	—
Ms. Lau ^{(Note (5))}	20,408,000	1.36	—	—
Ms. Lau's SPV Entity ^{(Note (5))}	1,600,000	0.11	—	—
Ms. Chan ^{(Note (6))}	750,500	0.05	—	—
Sub-total for (A) + (B) + (C)	1,148,807,292	76.49	1,501,916,000	100.00
(D) Independent Shareholders	353,108,708	23.51	—	—
TOTAL (A) + (B) + (C) + (D)	1,501,916,000	100.00	1,501,916,000	100.00
(E) Scheme Shareholders				
= (C) + (D) ^{(Note (7))}	376,818,208	25.09	—	—

LETTER FROM THE BOARD

Note (1): The Offeror is wholly-owned by Mr. Lau. Upon the Scheme becoming effective, the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be restored to its former amount by the allotment and issuance to the Offeror, credited as fully paid, of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

Note (2): These shares are held as to 471,694,500 Shares (representing approximately 31.41% of the issued Shares) by Dynamic Castle, which is wholly-owned by Mr. Lau and 540,000,000 Shares (representing approximately 35.95% of the issued Shares) by United Goal, which is ultimately owned as to 80% by Mr. Lau and 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.

Note (3): DBSAC is the financial adviser of the Offeror. Accordingly, DBSAC and the relevant members of the DBS Group which hold the Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of "acting in concert" in the Takeovers Code. Exempt principal traders which are connected for the sole reason that they are under the same control as DBSAC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the DBS Group acting in the capacity of exempt principal traders shall not be voted at the Court Meeting and the General Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code unless the Executive allows such Shares to be so voted. Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the General Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions shall originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader). For this purpose, where applicable, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Proposal will be submitted to the Executive before the date of the Court Meeting. In the event that no such written confirmation is submitted to the Executive and no consent has been obtained from the Executive before the Court Meeting, the Shares held by members of the DBS Group acting in the capacity of exempt principal traders will not be voted at the Court Meeting.

As at the Latest Practicable Date, DBSAC and the relevant members of the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) do not have any interests in the Shares.

Note (4): These Shares are held by a trust for an estate in which certain family members of Mr. Lau have interest. Mr. Lau and Ms. Lau Yuk Wai, Amy are two of the trustees of the trust and each of Mr. Lau Kam Sen, Ms. Lau Kam Shim and Ms. Lau Yuk Wai, Amy is a beneficiary under the Trust.

Note (5): Ms. Lau is a younger sister of Mr. Lau.

Note (6): Ms. Chan is the spouse of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.

LETTER FROM THE BOARD

Note (7): Scheme Shares shall include any Shares held by Independent Shareholders, the DBS Group, the Trust, Ms. Lau and Ms. Lau's SPV Entity, Ms. Chan and exclude all Shares held by the Offeror and Offeror Concert Parties Not Subject to the Scheme.

As at the Latest Practicable Date,

- (a) the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued Shares of 1,501,916,000 Shares in issue;
- (b) Mr. Lau, Ms. Lau Yuk Wai, Amy, Mr. Lau Kam Sen and Ms. Lau Kam Shim were interested in an aggregate of 1,126,048,792 Shares (including 951,000 Shares held by the Trust), representing approximately 74.97% of the total issued Shares as set out in Notes (1), (2) and (4) in the shareholding table above. Save as set out above, none of the Directors beneficially had any interests in the Shares;
- (c) the Offeror was wholly-owned by Mr. Lau;
- (d) the Offeror Concert Parties beneficially owned, controlled or had direction over 1,148,807,292 Shares (representing approximately 76.49% of the issued Shares);
- (e) the Offeror Concert Parties Not Subject to the Scheme (being Mr. Lau and Mr. Lau's SPV Entities) beneficially owned, controlled or had direction over 1,125,097,792 Shares, representing approximately 74.91% of the issued Shares;
- (f) the Offeror Concert Parties Subject to the Scheme (being the Trust, Ms. Lau, Ms. Lau's SPV Entity and Ms. Chan) beneficially owned, controlled or had direction over 23,709,500 Shares, representing approximately 1.58% of the issued Shares;
- (g) DBSAC and other members of the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code) did not hold any Shares;
- (h) the Scheme Shareholders held 376,818,208 Shares, representing approximately 25.09% of the issued Shares;
- (i) the Independent Shareholders held 353,108,708 Shares, representing approximately 23.51% of the issued Shares;
- (j) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties;
- (k) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company;
- (l) none of the Offeror, the Offeror Concert Parties and the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

LETTER FROM THE BOARD

- (m) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any shareholder of the Company; and (2) either (a) the Offeror and the Offeror Concert Parties; or (b) the Company, its subsidiaries or associated companies;
- (n) other than the Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid or would not pay any other consideration, compensations or benefits in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares; and
- (o) there were no Shares managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

For the avoidance of doubt, the Scheme Shares comprise the Shares beneficially owned, controlled or directed by the Offeror Concert Parties Subject to the Scheme and the Independent Shareholders.

7. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is directly and beneficially wholly-owned by Mr. Lau. The Offeror is an investment holding company. The directors of the Offeror are Mr. Lau, a non-executive director and the chairman of the Company, and Ms. Lau Kam Shim and Mr. Lau Kam Sen, executive directors of the Company.

Mr. Lau became an executive director and the managing director of the Company in January 2004 and was retitled from managing director to chief executive officer of the Company in April 2014. He has been serving as chairman of the Company since June 2015. Since June 2016, he has been re-designated from an executive director to a non-executive director of the Company and resigned from the position as the chief executive officer of the Company in view of his role in Lifestyle China Group Limited, a company listed on the Stock Exchange (stock code: 2136), as its executive director, chairman and chief executive officer. Mr. Lau is a member of the Chinese People's Political Consultative Conference Shanghai Committee and a member of the board of directors of the Shanghai Jiao Tong University, the PRC.

8. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability and is listed on the main board of the Stock Exchange. The Group is principally engaged in the operation of department stores, property development and investment in Hong Kong.

Your attention is drawn to Appendix I headed "Financial Information Relating to the Group", Appendix II headed "Valuation Reports" and Appendix III headed "General Information" to this Scheme Document.

LETTER FROM THE BOARD

9. INDEPENDENT BOARD COMMITTEE

Pursuant to the Takeovers Codes, an independent board committee should comprise all non-executive directors of an offeree company. Nevertheless, as Mr. Lau and Ms. Lau Yuk Wai, Amy, who are non-executive Directors, are not considered to be independent for the purpose of making a recommendation to the Independent Shareholders as they are Offeror Concert Parties (Mr. Lau is the sole shareholder and a director of the Offeror and a trustee of the Trust while Ms. Lau Yuk Wai, Amy is a beneficiary and a trustee of the Trust), they are not included as members of the Independent Board Committee.

The Independent Board Committee comprising Mr. Doo Wai Hoi, William, a non-executive Director of the Company and Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung, all being the Independent Non-executive Directors of the Company has been established to advise the Independent Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable, and whether to vote in favour of the Scheme at the Court Meeting and the Proposal at the General Meeting.

Please refer to their recommendations as set out in the “Letter from the Independent Board Committee” on pages 33 to 34 to this Scheme Document.

10. INDEPENDENT FINANCIAL ADVISER

Anglo Chinese has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Proposal and the Scheme. Please refer to their recommendations as set out in the “Letter from the Independent Financial Adviser” on pages 35 to 70 to this Scheme Document.

11. THE COURT MEETING AND THE GENERAL MEETING

Notices convening the Court Meeting and the General Meeting to be held at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Monday, 21 November 2022 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting, whichever is later), respectively, are set out on pages 154 to 156 and pages 157 to 159 to this Scheme Document.

Court Meeting

The Grand Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme.

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting.

As set out in the section headed “Arrangements material to the Proposal” above, each of the Offeror, and Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court not to attend and/or vote at the Court

LETTER FROM THE BOARD

Meeting and will procure the registered holder will not be instructed to, and will not, vote such Shares at the Court Meeting. The Offeror Concert Parties Subject to the Scheme, being Ms. Lau, Ms. Lau's SPV Entity, the Trust and Ms. Chan, who in aggregate held 23,709,500 Shares, representing approximately 1.58% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the Scheme at the Court Meeting.

Directors of the Company who are interested in the Shares are all Offeror Concert Parties and will abstain from voting on the Scheme at the Court Meeting. As at the Latest Practicable Date, Mr. Lau, Ms. Lau Yuk Wai, Amy, Mr. Lau Kam Sen and Ms. Lau Kam Shim were interested in an aggregate of 1,126,048,792 Shares (including 951,000 Shares held by the Trust), representing approximately 74.97% of the total issued Shares as set out in Notes (1), (2) and (4) in the shareholding table in "Shareholding Structure of the Company" above. Save as set out above, none of the Directors beneficially had any interests in the Shares.

General Meeting

All Shareholders will be entitled to vote at the General Meeting in respect of (i) the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of share capital and (ii) the ordinary resolution for the implementation of the Proposal.

The Offeror Concert Parties who are interested in the Scheme Shares (including but not limited to Mr. Lau, a Director, Mr. Lau's SPV Entities and the Trust in which Mr. Lau and Ms. Lau Yuk Wai, Amy, being non-executive Directors, are trustees and Mr. Lau Kam Sen and Ms. Lau Kam Shim, being executive Directors, and Ms. Lau Yuk Wai, Amy, being a non-executive Director, are beneficiaries) have indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the resolutions to be proposed at the General Meeting to approve and give effect to the reduction of share capital and implementation of the Proposal.

An announcement will be jointly made by the Company and the Offeror in relation to the results of the Court Meeting and the General Meeting with information as required by Rule 19.1 of the Takeovers Code.

12. ACTIONS TO BE TAKEN

Please refer to the section headed "**Actions to be Taken**" on pages 1 to 3 of this Scheme Document on exercising of your voting at the Court Meeting and the General Meeting.

13. OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the section headed "Overseas Scheme Shareholders" in the Explanatory Statement on pages 89 to 91 of this Scheme Document.

LETTER FROM THE BOARD

14. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, as soon as practicable after the Effective Date.

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 74 to 78 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. Please note that the timetable as set out in the section headed “Expected Timetable” in this Scheme Document is indicative and is included in this Scheme Document for information only.

It is the intention of the Offeror that the Bonds will remain listed on the Stock Exchange and be repaid at maturity in accordance with their respective terms. The Company, as the guarantor, will comply with all requirements of the Listing Rules in connection with the Bonds.

15. 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 does not become effective, 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 Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor the Offeror Concert Parties (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

LETTER FROM THE BOARD

16. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed “Taxation” in the Explanatory Statement on page 91 of this Scheme Document.

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

17. RECOMMENDATIONS

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

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Scheme.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in its letter, considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Scheme.

18. FURTHER INFORMATION

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

- (i) the letter from the Independent Board Committee as set out on pages 33 to 34 of this Scheme Document;
- (ii) the letter from Anglo Chinese as set out on pages 35 to 70 of this Scheme Document;
- (iii) the Explanatory Statement as set out on pages 71 to 97 of this Scheme Document;

LETTER FROM THE BOARD

- (iv) the Scheme of Arrangement as set out on pages 146 to 153 of this Scheme Document;
- (v) the Appendices to this Scheme Document; and
- (vi) the notice of Court Meeting and the notice of General Meeting as set out on pages 154 to 159 of 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
Lau Kam Shim
Executive Director



LIFESTYLE INTERNATIONAL HOLDINGS LIMITED

利福國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1212)

27 October 2022

To the Independent Shareholders

**(1) PROPOSED PRIVATISATION OF
LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

We refer to the scheme document dated 27 October 2022 jointly issued by the Offeror and the Company in relation to the Proposal (the “Scheme Document”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “*Letter from the Board*” and the “*Explanatory Statement*” of the Scheme Document.

Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and the Scheme. 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*” of the Scheme Document.

In the “*Letter from the Independent Financial Adviser*” of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote for the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Scheme.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal and the Scheme to be fair and reasonable as far as the Independent Shareholders are concerned.

Accordingly, the Independent Board Committee recommends the Independent Shareholders:

- (1) at the Court Meeting, to vote for the Scheme;
- (2) at the General Meeting, to vote for:
 - (i) the special resolution to approve the reduction of the issued share capital of the Company as a result of the cancellation of the Scheme Shares; and
 - (ii) the ordinary resolution to increase the issued share capital of the Company to the amount immediately prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme for issue to the Offeror.

Yours faithfully,
The Independent Board Committee

Doo Wai Hoi, William
*Non-executive
Director*

Lam Siu Lun, Simon
*Independent non-executive
Director*

Shek Lai Him, Abraham
*Independent non-executive
Director*

Hui Chiu Chung
*Independent non-executive
Director*

Ip Yuk Keung
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from the Independent Financial Adviser to the Independent Board Committee regarding the Proposal and the Scheme prepared for the purpose of incorporation in this Scheme Document.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

財務顧問有限公司
英高

The Independent Board Committee and
the Independent Shareholders of
Lifestyle International Holdings Limited

27 October 2022

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF
LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE CAYMAN COMPANIES ACT; AND**

**(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
LIFESTYLE INTERNATIONAL HOLDINGS LIMITED**

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposal and the Scheme, and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code. The terms defined in the scheme document of the Company dated 27 October 2022 (the “Scheme Document”), of which this letter forms part, shall have the same meanings in this letter, unless the context otherwise requires.

The Independent Board Committee, which comprises (i) Mr. Doo Wai Hoi, William, a non-executive Director, and (ii) all the independent non-executive Directors, namely Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung, who are not interested in the Proposal, has been formed to advise the Independent Shareholders on the Proposal and the Scheme. Mr. Lau and Ms. Lau Yuk Wai, Amy, non-executive Directors, are not considered to be independent for the purpose of making a recommendation to the Independent Shareholders as they are members of the Offeror Concert Parties (Mr. Lau is the sole shareholder and a director of the Offeror and a trustee of the Trust while Ms. Lau Yuk Wai, Amy is a beneficiary and a trustee of the Trust), and are therefore not included as members of the Independent Board Committee. We have been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting on the Proposal and the Scheme.

In formulating our opinion and recommendations, we have reviewed, amongst other things, (i) published information on the Group, including its audited annual financial statements for the latest three financial years, the last of which ended on 31 December 2021; (ii) the unaudited semi-annual financial statement for the six months ended 30 June 2022; (iii) the consolidated management accounts of the Group for the two months ended 31 August 2022; (iv) the cashflow projections of the Group for the 16 months ending 31 December 2023; (v) the information in the Scheme Document; and (vi) the past performance of the Shares. We have also discussed the details of the valuation of the Group's property interests with the Cushman & Wakefield Limited (the "Valuer"). We have assumed that the information, facts, representations and opinions were true at the time provided or made and continue to be true at the date of the Scheme Document and will continue to be true at the date of the General Meeting. We consider the information we have reviewed is sufficient to reach the conclusions set out in this letter and have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company, and have been advised by the Directors that, to the best of their knowledge, no material information has been omitted or withheld from the information supplied to us or the information relating to the Company referred to in the Scheme Document. We have not, however, carried out any independent verification of the information provided to us by the Company, nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group. The Directors will notify the Independent Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Independent Shareholders will also be informed of our opinion in relation to such changes, if any, as soon as practicable.

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

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, directors, chief executive, substantial shareholders or any associates of any of them. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company, the Offeror, or any other parties that could reasonably be regarded as relevant to our independence. In the two years prior to the Latest Practicable Date, we have not previously acted as the independent financial adviser to the Company's other transactions. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Proposal pursuant to Rule 2.1 of the Takeovers Code and Rule 13.84 of the Listing Rules.

II. THE PROPOSAL

On 5 August 2022, the Offeror and the Company jointly announced that on 1 August 2022, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Cayman Companies Act.

Under the Proposal, if the Scheme is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration therefor, each Scheme Shareholder as at the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$5.00 in cash for each Scheme Share cancelled and extinguished. **The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.**

Key terms of the Proposal and the Scheme are summarised in the letter from the Board of the Scheme Document.

The Proposal and the Scheme will be effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of a number of conditions, details of which are set out in the Joint Announcement and the letter from the Board of the Scheme Document.

The Offeror reserves the right to waive all or any of the Conditions in whole or in part, except for the Conditions in paragraph (a) to (d) stated under the subsection “*Conditions of the Proposal*” in the Explanatory Statement.

Shareholders should note that given the Companies (Amendment) Act 2021 in the Cayman Islands has been effective since 31 August 2022, the requirement to obtain the approval of the majority in number of Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, commonly called the “headcount test”, will not be required.

III. BACKGROUND OF THE GROUP, THE OFFEROR AND OTHER RELATED PARTIES

Information of the Group

Principal business of the Group

The principal activities of the Group comprise the operation of department stores, property development and investment in Hong Kong and the United Kingdom.

The Group currently operates two SOGO stores in Hong Kong, one in Causeway Bay and another one in Tsim Sha Tsui, and is developing a retailing complex in the Kai Tak area. In December 2018, the Group entered into a new trademark licence agreement with Sogo & Seibu, in which Sogo & Seibu granted the Group the sole and exclusive licence to use the “SOGO” trademarks to operate its department stores in Hong Kong for a further term of 20 years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance of the Group

The tabulation below shows a summary of selected financial performance of the Group since 2019.

Table 1 — Summary of the financial results of the Group for the three financial years ended 31 December 2021 and the six months ended 30 June 2021 and 2022

<i>HK\$ '000</i>	For the year ended 31 December			For the six months ended 30 June	
	2019 ("FY2019") (Audited)	2020 ("FY2020") (Audited)	2021 ("FY2021") (Audited)	2021 ("2021H1") (Unaudited)	2022 ("2022H1") (Unaudited)
Revenue					
— Contracts with customers ^(Note 1)	3,501,085	1,944,945	2,138,686	986,727	855,869
— Rental income	40,947	48,079	150,887	75,805	71,140
Total revenue	<u>3,542,032</u>	<u>1,993,024</u>	<u>2,289,573</u>	<u>1,062,532</u>	<u>927,009</u>
Gross profit	<u>2,653,163</u>	<u>1,473,637</u>	<u>1,674,128</u>	<u>779,297</u>	<u>670,927</u>
Core operating profit ^(Note 2)	2,280,991	1,236,062	1,398,454	645,196	456,186
Profit/(loss) before taxation	<u>2,166,176</u>	<u>246,963</u>	<u>(1,173,144)</u>	<u>272,180</u>	<u>(379,284)</u>
Profit/(loss) for the period ^(Note 3)	<u>1,890,676</u>	<u>138,510</u>	<u>(1,305,000)</u>	<u>219,991</u>	<u>(475,428)</u>
Basic earnings/(losses) per share (HK\$)	<u>1.26</u>	<u>0.09</u>	<u>(0.87)</u>	<u>0.15</u>	<u>(0.32)</u>

Sources: The Company, annual reports and interim reports of the Company for the relevant years, or periods.

Notes:

1. Contracts with customers consist of sales of goods (direct sales), income from concessionaire sales, income from after-purchase-order ("APO") sales and service income.
2. Core operating profit in this letter is defined as the profit before tax and finance costs attributable to the Group's core operations (before counting the fair value changes on financial assets and liabilities measured at fair value through profit and loss and investment properties, exchange differences and other non-recurring items).
3. Profit/(loss) for the period represents profit/(loss) for the year or period attributable to owners of the Company as there were no non-controlling interests.

Revenue

2022H1 versus 2021H1

The total revenue of the Group for 2022H1 was approximately HK\$927 million, representing a decrease of approximately 12.8% as compared with approximately HK\$1,063 million for 2021H1. Such decrease was mainly attributable to the approximately 13.3% decrease in revenue generated from contracts with customers from approximately HK\$987 million for 2021H1 to approximately HK\$856 million for 2022H1.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Within the revenue generated from contracts with customers, direct sales decreased by approximately 11.8% from approximately HK\$374 million for 2021H1 to approximately HK\$330 million for 2022H1. Commission income derived from concessionaire and APO sales also recorded a decrease of approximately 15.7% from approximately HK\$575 million for 2021H1 to approximately HK\$485 million for 2022H1. The decrease in retail sales was a result of weakened consumer sentiment and drop in customer foot traffic at the stores of the Group as a consequence of the government's stringent containment measures to combat the 5th wave of the resurgent Covid-19 pandemic during the first quarter of 2022.

The Group's rental income, which was mainly generated from the London-based commercial property, dropped slightly by approximately 6.6% from approximately HK\$76 million for 2021H1 to approximately HK\$71 million for 2022H1 due to the currency depreciation of the British pound sterling.

FY2021 versus FY2020

The total revenue of the Group for FY2021 was approximately HK\$2,290 million, representing an increase of approximately 14.9% as compared with approximately HK\$1,993 million for FY2020, as the Group recorded increase in both revenues generated from contracts with customers and rental income.

Revenue from contracts with customers increased by approximately 10.0% from approximately HK\$1,945 million for FY2020 to approximately HK\$2,139 million for FY2021. Within the revenue generated from contracts with customers, direct sales recorded a substantial growth of approximately 17.8% from approximately HK\$687 million for FY2020 to approximately HK\$809 million for FY2021. Commission income derived from concessionaire and APO sales also recorded a growth of approximately 4.4% from approximately HK\$1,187 million for FY2020 to approximately HK\$1,239 million for FY2021. The sales growth was a result of the improvement in customer foot traffic at the stores of the Group due to the gradual relaxation of social distancing measures and the consumption vouchers disbursed by the Hong Kong government during the year.

The increase in the rental income was mainly attributable to the receipt of the full year rental income of approximately HK\$120 million from the Group's London-based commercial property.

FY2020 versus FY2019

The total revenue of the Group for FY2020 was approximately HK\$1,993 million, representing a decrease of approximately 43.7% as compared with approximately HK\$3,542 million for FY2019. Such decrease was mainly attributable to the approximately 44.4% decrease in revenue generated from contracts with customers.

Within revenue generated from contracts with customers, direct sales decreased by approximately 43.3% from approximately HK\$1,212 million for FY2019 to approximately HK\$687 million for FY2020. Commission income derived from

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

concessionaire and APO sales recorded a similar decrease of approximately 45.0% from approximately HK\$2,160 million for FY2019 to approximately HK\$1,187 million for FY2020. The sales decline was a result of a significant fall in customer foot traffic at the stores for the Group stemming from the containment measures of Covid-19 pandemic and travel restrictions, especially between Hong Kong and the Mainland.

On the other hand, the rental income for FY2020 was approximately HK\$48 million, representing an increase of approximately 17.1%, as compared with approximately HK\$41 million for FY2019 due to the rental income generated by the London-based commercial property acquired in late November 2020.

Profit for the year

2022H1 versus 2021H1

The Group turned from a profit of approximately HK\$220 million for 2021H1 to a loss of approximately HK\$475 million for 2022H1, mainly caused by a combination of (i) an approximate 12.8% decline in revenue as explained above; (ii) an investment loss of approximately HK\$455 million recorded on the Group's financial investments for 2022H1 whereas there was an investment gain of approximately HK\$88 million for 2021H1; and (iii) an exchange loss of approximately HK\$130 million for 2022H1 compared with approximately HK\$12 million for 2021H1.

The Group's core operating profit amounted to approximately HK\$456 million for 2022H1, representing a decrease of approximately 29.3% as compared with approximately HK\$645 million for 2021H1, primarily due to a drop in sales revenue due to the sluggish consumer demand as a result of the pandemic and margin squeeze.

FY2021 versus FY2020

The Group recorded a loss of approximately HK\$1,305 million for FY2021 as compared with a profit of approximately HK\$139 million for FY2020. Such loss was mainly caused by the significant amount of investment loss of approximately HK\$1,900 million for FY2021 as compared to an investment income of approximately HK\$35 million for FY2020, but was cushioned by a smaller revaluation deficit on the Group's investment properties of approximately HK\$32 million for FY2021 as compared to the revaluation deficit of approximately HK\$418 million for FY2020.

The Group's core operating profit amounted to approximately HK\$1,398 million for FY2021, representing an increase of approximately 13.1% as compared with approximately HK\$1,236 million for FY2020, primarily a result of an improvement in retail sales and the additional rental income from the Group's London-based property.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2020 versus FY2019

The Group's profit for the year for FY2020 was approximately HK\$139 million, representing a decrease of approximately 92.7% as compared with approximately HK\$1,891 million for FY2019.

The decrease in profit was mainly caused by a combination of (i) an approximately 43.7% drop in the Group's revenue as explained above; (ii) a significant drop in investment income due to a mark-to-market fair value loss of approximately HK\$334 million being recorded on the Group's financial investments for FY2020 as compared to a fair value gain of approximately HK\$404 million in FY2019; and (iii) a fair value loss of approximately HK\$418 million being recorded on the Group's investment properties for FY2020 as compared to approximately HK\$174 million for FY2019.

The Group's core operating profit amounted to approximately HK\$1,236 million for FY2020, representing a decrease of approximately 45.8% as compared with approximately HK\$2,281 million for FY2019, mainly due to the sluggish consumer demand as a result of the pandemic, coupled with the commission, or rental concessions the Group offered ameliorating the adverse effects of the pandemic on their respective businesses.

Financial position of the Group

The tabulation below shows a summary of selected financial position of the Group as at 31 December 2019, 2020 and 2021 and as at 30 June 2022.

Table 2 — Financial positions of the Group

<i>HK\$'000</i>	As at 31 December			As at
	2019 (Audited)	2020 (Audited)	2021 (Audited)	30 June 2022 (Unaudited)
Non-current assets	12,432,772	16,116,829	17,475,701	17,684,430
Current assets	12,068,767	9,660,947	5,507,484	5,845,134
Total assets	24,501,539	25,777,776	22,983,185	23,529,564
Non-current liabilities	15,057,618	11,107,070	11,318,716	13,770,596
Current liabilities	5,602,617	10,825,582	9,010,160	7,821,213
Total liabilities	20,660,235	21,932,652	20,328,876	21,591,809
Total equity ^(Note 1)	3,841,304	3,845,124	2,654,309	1,937,755
Debt profile				
— Bank borrowings	11,712,178	13,503,062	9,729,001	11,045,236
— Bonds	6,962,233	6,836,181	8,971,300	8,996,178
Total borrowings and bonds	18,674,411	20,339,243	18,700,301	20,041,414
Net debt ^(Note 2)	10,053,152	16,163,454	14,883,157	15,443,144
Gearing ratio ^(Note 3)	261.7%	420.4%	560.7%	797.0%
Reassessed NAV ^(Note 4)				15,919,900
Adjusted gearing ratio ^(Note 3)				97.0%

Sources: Annual reports and interim report of the Company for the relevant years, or periods.

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Notes:

1. Total equity, or net assets value (the “NAV”), represents equity attributable to owners of the Company given there are no non-controlling interests.
2. Net debt is calculated by total borrowings and bonds less cash and cash equivalents (including time deposits but excluding money market fund).
3. Gearing ratio is the ratio of net debt to total equity or net debt to reassessed total equity.
4. Reassessed total equity (the “Reassessed NAV”) is based on the total equity with adjustments for the market valuation of the Group’s property interests as at 31 July 2022, as set out in the Appendix II to this Scheme Document, the related tax effects and other relevant factors. Please refer to the section headed “*Reassessed NAV*” in this letter for more details.

As at 30 June 2022, total assets of the Group amounted to approximately HK\$23,530 million, of which (i) investment properties, comprising the investment property under development of the Kai Tak project and the property in the United Kingdom, amounted to approximately HK\$8,706 million; (ii) property, plant and equipment, including the construction in progress of the Kai Tak project and self-owned store property in Causeway Bay, amounted to approximately HK\$7,531 million; and (iii) cash and cash equivalents including time deposits, amounted to approximately HK\$4,598 million, in aggregate, representing approximately 88.6% of the Group’s total assets.

As at 30 June 2022, total liabilities of the Group amounted to approximately HK\$21,592 million. Bank borrowings of approximately HK\$11,045 million and bonds of approximately HK\$8,996 million in aggregate represent approximately 92.8% of the Group’s total liabilities.

In relation to the Group’s bank borrowings, certain of the Group’s leasehold land and buildings in Hong Kong, being part of the property, plant and equipment and represented mostly by the self-owned store property in Causeway Bay, Hong Kong, with carrying values aggregating approximately HK\$1,059 million together with shares of certain subsidiaries of the Group, were pledged to secure a HK\$8,000 million loan facility granted to the Group, of which HK\$5,600 million was utilised. In addition, the entire Kai Tak project, comprising the construction in progress and investment property under development, with an aggregate carrying value of approximately HK\$12,186 million was pledged to secure a HK\$9,000 million loan facility granted to the Group for financing the Kai Tak land acquisition and its construction, of which HK\$3,891 million was utilised.

The gearing ratio of the Group, being approximately 797.0% as at 30 June 2022, has been on an increasing trend in the past few years as the Group has increased its borrowing while suffering from losses in general. After taking into consideration in the fair market value for properties held by the Group for owner-occupation, the adjusted gearing ratio was 97.0% as at 30 June 2022.

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Reassessed NAV

Valuation of property interests of the Company as at 31 July 2022 for determining the Reassessed NAV

We note that since the listing of the Shares in 2004, properties which were held by the Group for owner-occupation have been booked at cost without annual revaluation. For the purpose of this Proposal, the Valuer was engaged to conduct a valuation on the Group's properties, mainly by the Market Approach and the Income Approach (as defined below). Accordingly, the Reassessed NAV is calculated based on the market values of the properties for the purpose of this Proposal.

The valuation report by the Valuer as at 31 July 2022 (the "Valuation Report"), relating to the valuation of property interests in Hong Kong (the "HK Properties") and the United Kingdom (the "UK Properties", and collectively with the HK Properties, the "Properties") is set out in Appendix II to this Scheme Document.

We are satisfied that the terms, including the scope of work, of engagement between the Company and the Valuer are appropriate. We have discussed with the Valuer the methodologies and assumptions used in arriving at the market values of the Properties. Details in respect of the valuation methodologies adopted by the Valuer are set out in the Valuation Report. We also note that the Valuer carried out site inspections of the HK Properties in August 2022 and the UK Properties in October 2021.

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

Table 3 — Summary of property valuations in the Valuation Report

Types of property interests	Valuation methodology used	Market value in existing state as at 31 July 2022
In Hong Kong		<i>(HK\$ million)</i>
Group I — Properties held by the Group for owner-occupation in Hong Kong	Market approach (the "Market Approach") by referencing market comparable transactions available and assumed sale of property interests with the benefit of vacant possession	17,286.2
Group II — Property held by the Group under development in Hong Kong ^(Note)	Market Approach	12,989.0
	Sub-total	<u>30,275.2</u>

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Types of property interests	Valuation methodology used	Market value in existing state as at 31 July 2022
In the United Kingdom		<i>(GBP million)</i>
Group III — Property held by the Group for investment in the United Kingdom	Income approach (the “Income Approach”) by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential, or where appropriate, by Market Approach	259.0
	Sub-total	<u>259.0</u>

Note: Based on the Valuation Report, the valuation of property no. 11, which is held under development, was conducted on the basis that it will be developed and completed in accordance with the latest development proposal provided by the Company to the Valuer. The Valuer valued the property as if completed by the Market Approach. The Valuer has also taken into account the estimated total construction costs for the proposed development as well as the costs that have been expended and to be expended on the development works in arriving at the market value of the property.

According to the Valuation Report, the total market value of the Company’s HK Properties and UK Properties were approximately HK\$30,275.2 million and GBP259.0 million (equivalent to approximately HK\$2,470.9 million), respectively. The total market value of the Properties was approximately HK\$32,746.1 million.

The Valuer adopted the Market Approach as the valuation methodology for Group I and Group II properties, and considered it to be appropriate given (a) it is the most commonly accepted method for valuing properties held for owner-occupation where there is no rental income; and (b) recent comparable sales transactions with similar attributes in terms of size, characteristics and location as the properties are available in the market. The Income Approach was adopted for Group III property, and considered it to be appropriate given it is the most commonly for valuing investment properties where rental income is available. Based on the foregoing, we consider the valuation methodologies selected by the Valuer, and the assumptions used by the Valuer to be appropriate.

Reassessed NAV per Share

The total appraised value of the Properties attributable to the Company as at 31 July 2022, amounted to approximately HK\$32,746.1 million. Taken into account the deferred tax in relation to the surplus of approximately HK\$2,762.9 million, this gives rise to a net revaluation surplus of approximately HK\$13,982.2 million over the sum of (i) the unaudited book value of the Properties attributable to the Company of approximately HK\$15,816.0 million as at 30 June 2022; (ii) the costs of approximately

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HK\$179.8 million incurred and capitalised in July in relation to the Kai Tak project; and (iii) the exchange differences of approximately HK\$5.2 million arising from translation of the market value of the UK Properties.

The table below shows the calculations of the Reassessed NAV per Share of HK\$10.60 by the management of the Company taking into account the market valuation of the Properties attributable to the Company as at 31 July 2022, and related tax effects and other adjustments as appropriate.

Table 4 — Calculation of the Reassessed NAV per Share

	<i>HK\$ million</i>
Unaudited NAV of the Group attributable to owners of the Company at 30 June 2022	1,937.8
<i>Add:</i> Revaluation surplus of the properties of the Group ^(Note 1)	16,745.0
<i>Less:</i> Deferred tax on revaluation surplus ^(Note 2)	<u>(2,762.9)</u>
Reassessed NAV	15,919.9
Reassessed NAV per Share ^(Note 3)	<u><u>HK\$10.60</u></u>

Notes:

1. The revaluation surplus is calculated based on the difference between (i) the total market value of the Properties attributable to the Company as at 31 July 2022 of approximately HK\$32,746.1 million and (ii) the unaudited book value of the Properties attributable to the Company as at 30 June 2022 of approximately HK\$15,816.0 million plus the costs of approximately HK\$179.8 million incurred and capitalised in July in relation to the Kai Tak project plus the exchange differences of approximately HK\$5.2 million arising from translation of the market value of the UK Properties.
2. It represents the deferred tax on temporary differences between the market values of the property interests and the corresponding tax base used in computation of taxable profit, including deferred tax for investment property in Hong Kong, which carrying amount is presumed to be recovered entirely through use, rather than sale. Since all the revaluation surplus is attributed to properties in Hong Kong, the Hong Kong profits tax of 16.5% is applied.
3. It is calculated based on 1,501,916,000 Shares in issue as at 30 June 2022.

The Cancellation Price of HK\$5.00 per Scheme Share represents a discount of approximately 52.83% to the Reassessed NAV per Share of HK\$10.60 as at 30 June 2022.

Shareholders should note that for so long as the Shares are listed, such Reassessed NAV per Share may not be fully reflected in the Share price. It is common for listed property companies to be traded at a discount to their NAV in Hong Kong, examples are exhibited in the subsection “*Comparable companies*” below.

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Even if the Proposal is approved and implemented, the market values of the Properties will only be realised if they are disposed of in the property market or when the Group is liquidated, neither of which is the intention of the Offeror. It is stated in the Scheme Document that the Offeror does not have any plan to make any material change to the existing principal businesses of the Group, including any major redeployment of the fixed assets of the Group.

Shareholding structure of the Company and the corresponding information

As at the Latest Practicable Date, the Company has 1,501,916,000 Shares in issue, among which, (i) the Offeror does not beneficially own, control or have direction over any Shares; (ii) the Offeror Concert Parties beneficially own control or have direction over 1,148,807,292 Shares, representing approximately 76.49% of the issued Shares. Among which, the Offeror Concert Parties Not Subject to the Scheme and the Offeror Concert Parties Subject to the Scheme beneficially own, control or have discretion over 1,125,097,792 Shares and 23,709,500 Shares, representing approximately 74.91% and 1.58% of the issued Shares, respectively.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the completion of the Proposal, assuming that there is no other change in shareholding of the Company before completion of the Proposal.

Shareholder	As at the Latest Practicable Date		Immediately upon the completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate % of the issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the issued Share</i>
(A) Offeror ^(Note 1)	—	—	376,818,208	25.09
(B) Offeror Concert Parties Not Subject to the Scheme				
Mr. Lau	113,403,292	7.55	113,403,292	7.55
Mr. Lau's SPV Entities ^(Note 2)	1,011,694,500	67.36	1,011,694,500	67.36
(C) Offeror Concert Parties Subject to the Scheme ^(Note 3)				
The Trust ^(Note 4)	951,000	0.06	—	—
Ms. Lau ^(Note 5)	20,408,000	1.36	—	—
Ms. Lau's SPV Entity ^(Note 5)	1,600,000	0.11	—	—
Ms. Chan ^(Note 6)	750,500	0.05	—	—
Sub-total for (A)+(B)+(C)	1,148,807,292	76.49	1,501,916,000	100.00
(D) Independent Shareholders	353,108,708	23.51		
TOTAL (A) + (B) + (C) + (D)	1,501,916,000	100.00	1,501,916,000	100.00
(E) Scheme Shareholders: =(C) + (D) ^(Note 7)	376,818,208	25.09	—	—

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Notes:

1. The Offeror is wholly-owned by Mr. Lau. Upon the Scheme becoming effective, the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be restored to its former amount by the allotment and issuance to the Offeror, credited as fully paid, of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.
2. These shares are held as to 471,694,500 Shares (representing approximately 31.41% of the issued Shares) by Dynamic Castle, which is wholly-owned by Mr. Lau and 540,000,000 Shares (representing approximately 35.95% of the issued Shares) by United Goal, which is ultimately owned as to 80% by Mr. Lau and 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.
3. DBSAC is the financial adviser of the Offeror. Accordingly, DBSAC and the relevant members of the DBS Group which hold the Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of "acting in concert" in the Takeovers Code. Exempt principal traders which are connected for the sole reason that they are under the same control as DBSAC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the DBS Group acting in the capacity of exempt principal traders shall not be voted at the Court Meeting and the General Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code unless the Executive allows such Shares to be so voted. Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the General Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions shall originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader). For this purpose, where applicable, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Proposal will be submitted to the Executive before the date of the Court Meeting. In the event that no such written confirmation is submitted to the Executive and no consent has been obtained from the Executive before the date of the Court Meeting, the Shares held by members of the DBS Group acting in the capacity of exempt principal traders will not be voted at the Court Meeting.

As at the Latest Practicable Date, DBSAC and the relevant members of the DBS Group they (excluding members of the DBS Group which are exempt principal traders or exempted fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) do not have any interests in the Shares.
4. These Shares are held by a trust for an estate in which certain family members of Mr. Lau have interest. Mr. Lau and Ms. Lau Yuk Wai, Amy are two of the trustees of the trust and each of Mr. Lau Kam Sen, Ms. Lau Kam Shim and Ms. Lau Yuk Wai, Amy is a beneficiary under the Trust.
5. Ms. Lau is a younger sister of Mr. Lau.

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6. Ms. Chan is the spouse of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.
7. Scheme Shares shall include any Shares held by Independent Shareholders, the DBS Group, the Trust, Ms. Lau and Ms. Lau's SPV Entity, Ms. Chan and exclude all Shares held by Offeror Concert Parties Not Subject to the Scheme.

Information of the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is directly and beneficially wholly-owned by Mr. Lau. The Offeror is an investment holding company. The directors of the Offeror are Mr. Lau, a non-executive director and the chairman of the Company, and Ms. Lau Kam Shim and Mr. Lau Kam Sen, executive directors of the Company. Further details of Mr. Lau are shown in the letter from the Board of the Scheme Document.

Intention of the Offeror in respect of the Group

The Offeror intends to continue the existing business of the Group, which principally comprises of operation of department stores, property development and investment in Hong Kong. The Offeror does not have any plan to make any material change to:

- (a) the existing principal businesses of the Group, including any major redeployment of the fixed assets of the Group; or
- (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

After completion of the Proposal and subject to compliance with the relevant obligations of the Company and its subsidiaries under certain existing facilities, Mr. Lau plans to diversify the business model of the Group and make new investments when opportunities arise.

IV. BASIS OF OPINION AND FACTORS TAKEN INTO CONSIDERATION

The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the Proposal and the Scheme, and in giving our advice to the Independent Board Committee and the Independent Shareholders:

Price of the Shares

Comparison of value

The Cancellation Price of HK\$5.00 per Scheme Share represents:

- (a) a premium of approximately 10.13% over the closing price of HK\$4.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (b) a premium of approximately 62.34% over the closing price of HK\$3.080 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 75.93% over the average closing price of approximately HK\$2.842 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 81.88% over the average closing price of approximately HK\$2.749 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 70.11% over the average closing price of approximately HK\$2.939 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 58.66% over the average closing price of approximately HK\$3.151 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 48.08% over the average closing price of approximately HK\$3.376 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 38.72% over the average closing price of approximately HK\$3.604 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 30.01% over the average closing price of approximately HK\$3.846 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (j) a premium of approximately 182.92% over the consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.767 as at 31 December 2021, based on the audited consolidated net asset value and total number of issued Shares at 31 December 2021;
- (k) a premium of approximately 287.54% over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.290 as at 30 June 2022; and
- (l) a discount of approximately 52.83% to the Reassessed NAV per Share of approximately HK\$10.60 as at 30 June 2022.

As illustrated above, the Cancellation Price represents a premium to each of the closing price of the Shares on the Last Trading Date and the average closing prices of the Shares of different intervals, which is a favourable factor when analysing the Proposal.

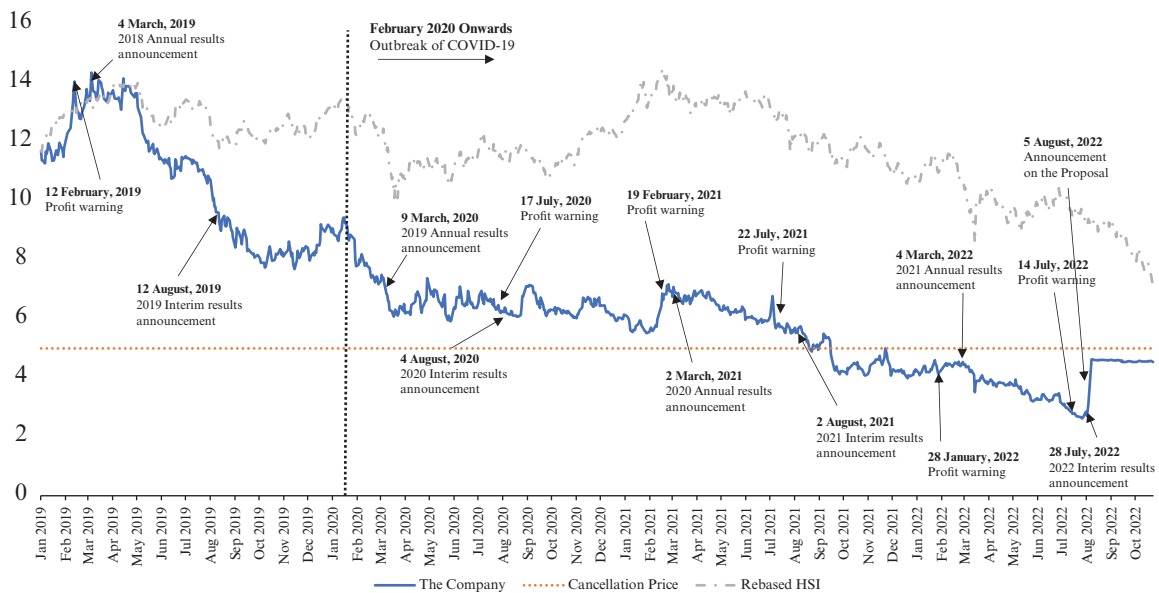
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For the comparison of the Cancellation Price to the Reassessed NAV per Share, please refer to the section headed “Discounts of cancellation prices to the reassessed NAV per share” in this letter.

Historical price performance of the Shares

In assessing the reasonableness of the Cancellation Price, we have considered the relative performance of the Shares from 1 January 2019 to the Latest Practicable Date (the “Review Period”), with the Cancellation Price and the Hang Seng Index (the “HSI”). The Review Period, which covers a period of three full financial years of the Company, is considered to represent a sufficient period of time to provide a general overview of the recent market performance of the Shares, in particular covering the social unrest which began in mid-2019 and the subsequent outbreak of the Covid-19 pandemic, for the purpose of this analysis. The chart below illustrates the general trend and movement of the closing price of the Shares.

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



Sources: Bloomberg and the Stock Exchange.

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

As seen above, the Shares price has generally been in a downward trend and underperformed the HSI during the Review Period.

The Share price displayed an increasing trend from January 2019 to March 2019 and upon the publication of annual results on 4 March 2019, the Share price peaked at HK\$14.36 on 6 March 2019. Social unrest occurred not long thereafter and the Share price plummeted.

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A small rebound of Share price was seen in late 2019 and early 2020. However, the unprecedented outbreak of Covid-19 in early February 2020, has negatively impacted the Share price and the general downward trend had continued since then.

The closing price of the Shares was below the Cancellation Price for the first time on 23 August 2021. The Share price had exhibited a general downward trend and has never traded above the Cancellation Price since 15 September 2021 up to the Last Trading Date.

The closing price of the Shares increased from HK\$3.08 on the Last Trading Date on 4 August 2022 to HK\$4.63 on 8 August 2022, being the first trading date when the Shares resumed trading after the Joint Announcement, representing an increase of approximately 50.3%. The Share price has been relatively stable thereafter. As at the Latest Practicable Date, the closing price of the Shares was HK\$4.54, representing a premium of approximately 10.13% over the Cancellation Price. The sentiment of the financial market judged by the performance of the Hong Kong stock market has deteriorated further since the Proposal was announced, which makes the Proposal, in terms of the Cancellation Price, more attractive. If the Proposal is not approved, it is probable that the Share price will fall to the levels prior to the Joint Announcement.

Trading liquidity of the Shares

We have also considered the trading liquidity of the Shares during the Review Period. Set out below illustrates (i) the average daily trading volumes of the Shares; (ii) the percentages of the average daily trading volume to the total issued Shares; and (iii) the percentages of the average daily trading volume to the public float of the Company during the Review Period:

Table 5: Trading volume during the Review Period

		Average daily trading volume	Approximate % of the average daily trading volume to the total number of issued Shares ^(Note 1)	Approximate % of the average daily trading volume to the total number of issued Shares held by the public ^(Note 2)
2019	January	1,338,261	0.09%	0.36%
	February	1,918,769	0.13%	0.51%
	March	1,961,936	0.13%	0.52%
	April	1,153,853	0.08%	0.31%
	May	1,265,970	0.08%	0.34%
	June	1,148,590	0.08%	0.31%
	July	1,250,884	0.08%	0.33%
	August	2,744,521	0.18%	0.73%
	September	1,710,315	0.11%	0.46%
	October	1,171,842	0.08%	0.31%
	November	1,459,311	0.10%	0.39%
	December	1,086,886	0.07%	0.29%

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		Average daily trading volume	Approximate % of the average daily trading volume to the total number of issued Shares ^(Note 1)	Approximate % of the average daily trading volume to the total number of issued Shares held by the public ^(Note 2)
2020	January	922,878	0.06%	0.25%
	February	1,360,153	0.09%	0.36%
	March	2,341,592	0.16%	0.62%
	April	1,278,531	0.09%	0.34%
	May	838,363	0.06%	0.22%
	June	725,439	0.05%	0.19%
	July	891,388	0.06%	0.24%
	August	1,327,654	0.09%	0.35%
	September	870,256	0.06%	0.23%
	October	342,990	0.02%	0.09%
	November	694,925	0.05%	0.18%
	December	581,392	0.04%	0.15%
2021	January	1,228,504	0.08%	0.33%
	February	1,750,743	0.12%	0.47%
	March	632,926	0.04%	0.17%
	April	765,400	0.05%	0.20%
	May	424,884	0.03%	0.11%
	June	612,643	0.04%	0.16%
	July	1,417,896	0.09%	0.38%
	August	409,647	0.03%	0.11%
	September	714,921	0.05%	0.19%
	October	394,095	0.03%	0.10%
	November	414,125	0.03%	0.11%
	December	431,442	0.03%	0.11%
2022	January	240,357	0.02%	0.06%
	February	255,236	0.02%	0.07%
	March	401,604	0.03%	0.11%
	April	200,194	0.01%	0.05%
	May	376,278	0.03%	0.10%
	June	276,939	0.02%	0.07%
	July	753,637	0.05%	0.20%
	August	4,140,592	0.28%	1.10%
	September	1,045,473	0.07%	0.28%
	October (up to the Latest Practicable Date)	336,282	0.02%	0.09%

Sources: Bloomberg and the Company.

Notes:

1. The calculation is based on the average daily trading volumes of the Shares for each month divided by the total number of issued Shares at the end of the corresponding month.
2. The calculation is based on the average daily trading volumes of the Shares for each month divided by the total number of issued Shares held by the public, being the total number of issued Shares held by Shareholders other than the Directors and substantial Shareholders, at the end of the corresponding month.

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As shown in the table above, the average daily trading volume of the Shares represented approximately 0.01% to 0.28% of the total issued Shares, and approximately 0.05% to 1.10% of the Shares constituting the public float of the Company for the months during the Review Period. In general, trading of Shares was thin during most of the time during the Review Period and it is clear that the liquidity has deteriorated over time. The low level of liquidity in the Shares would indicate that any sale of a large number of Shares through the market would be difficult to accomplish in a short period of time without adversely affecting the Share price.

In light of the above, we concur with the Offeror's view that the Proposal would provide the Scheme Shareholders an opportunity to fully realise the value of their investment and interest in the Company at a premium over the market price of the Shares.

Reasons for, and benefits of, the Proposal

As stated in the section headed “6. REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement, the overall consideration for the Company and its Shareholders mainly includes the following:

Challenging and uncertain macro environment

We concur with the management of the Company that the retail market in Hong Kong has been challenging due to reasons such as social unrest and Covid-19 pandemic. The table below highlights some relevant statistics.

Table 6 — Visitor arrivals and retail sales in Hong Kong

	2018	2019	2020	2021	First six months of	
					2021	2022
Visitor arrivals						
Total number of visitor arrivals	65,147,555	55,912,609	3,568,875	91,398	33,749	76,004
<i>Year on year change</i>	<i>11.4%</i>	<i>-14.2%</i>	<i>-93.6%</i>	<i>-97.4%</i>	<i>-99.0%</i>	<i>125.2%</i>
Number of Chinese visitor arrivals						
	51,038,230	43,774,685	2,706,398	65,721	24,263	61,957
<i>Year on year change</i>	<i>14.8%</i>	<i>-14.2%</i>	<i>-93.8%</i>	<i>-97.6%</i>	<i>-99.1%</i>	<i>155.4%</i>

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	2018	2019	2020	2021	First six months of	
					2021	2022
Retail sales						
Total value of retail sales (<i>HK\$ million</i>)	485,169	431,160	326,451	352,948	174,363	169,873
<i>Year on year change</i>	8.7%	-11.1%	-24.3%	8.1%	8.4%	-2.6%
Value of retail sales in department stores (<i>HK\$ million</i>)	53,257	46,353	35,939	34,752	16,482	15,523
<i>Year on year change</i>	9.5%	-13.0%	-22.5%	-3.3%	-7.5%	-5.8%
Total gross sales proceeds of the Group (<i>HK\$ million</i>)	11,708	9,446	5,674	6,237	2,843	2,510
<i>Year on year change</i>	13.5%	-19.3%	-39.9%	9.9%	8.0%	-11.7%

Sources: Census and Statistics Department, Immigration Department and the Company

As shown in the table above, the majority of visitor arrivals in Hong Kong from 2018 to 2022 has been from the PRC. Both the number of Chinese visitor arrivals and the total number of visitor arrivals have decreased substantially throughout 2019 to 2021. Despite the strong rebound in the first six months of 2022 on a year-on-year basis, the two figures are still negligible as compared to the levels a few years before.

As mentioned in the Scheme Document, mainland Chinese shoppers previously comprised a sizable share of the retail business in Hong Kong. Correspondingly, both the value of retail sales in department stores and the total value of retail sales have generally been declining throughout 2019 to the second quarter of 2022, where the declines in 2019 and 2020 were particularly substantial. Retail sales and sales in department stores in Hong Kong dropped by a lesser extent than that of the number of visitors because spending by visitors contributed a portion but not all of the consumer spending in Hong Kong. Without much contribution from visitors, the retail sales figures tend to reflect the level of local consumption.

The value of retail sales in department stores has generally been in line with, but slightly underperforming the total value of retail sales, one reason for which could be the product types of department stores are more on discretionary items, which would generally experience lower demand when consumer sentiment is weak. For example, while the total value of retail sales in 2021 recorded an increase on a year-on-year basis, the figure for department stores continued to decline. The trend of total gross sales proceeds of the Group (derived from direct, after purchase order and concessionaire sales transactions) since 2018 has been similar with the value of retail sales in department stores.

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Even if the border between Hong Kong and the mainland China fully reopens, the level of consumption by Mainland tourists in Hong Kong may not be comparable with that a few years ago. The 2022 interim report of the Company has discussed the slow-down of the Chinese economy and the weak consumption demand due to lockdowns and Covid-19 disruptions. According to the National Bureau of Statistics of China, the total retail sales of consumer goods in the PRC in the first half of 2022 decreased by approximately 0.7% year-on-year, in particular, the retail sales of department stores dropped by approximately 8.4%.

According to a press release published by the Hong Kong government dated 2 August 2022¹, although the upcoming disbursement of the phase II consumption vouchers is expected to stimulate consumption demand, retail sales performance down the road will still be dependent on how the pandemic in Hong Kong develops and how much the tighter financial conditions will affect consumer's sentiment. Consequently, recovery of the Group's performance remains uncertain in the near future.

In addition, according to the annual report of the Company for FY2021, all outstanding bank borrowings of the Group as at 31 December 2021 carried interest at variable rates. A substantial portion of the Group's bank borrowings is charged at a premium on top of the Hong Kong Interbank Offered Rate ("HIBOR"). Although the effective interest rate of the Group's borrowing in FY2021 was at low single digit, ranging between 0.99% to 1.11%, the interest rate in Hong Kong has started to increase, following the recent rate hikes in the United States. As such, the financing cost of the Group may increase in the near term.

Scheme Shareholders who share the same pessimistic view as the Company about the retail market in Hong Kong, and have concerns in the rate hike environment, may take the Proposal as an opportunity to realise their investment in the Company at a premium to the recent trading price and reinvest in other sectors. Whereas those who would like to remain exposed to a recovery of the Hong Kong retail market may also enjoy the price premium of the Proposal by accepting it and reinvest in other retail related companies.

Uncertainties of the Group's investment in the Kai Tak project

The Group's land in Kai Tak is being developed into two blocks of commercial buildings to provide approximately 101,000 square metres of space mainly for retailing use. The commercial blocks will be housing a full-fledged SOGO department store and other facilities complementary to the operations of the department store in addition to a wide range of retail outlets and dining and entertainment facilities. In comparison, the gross floor areas of the Sogo stores in Causeway Bay and Tsim Sha Tsui are approximately 40,000 square metres and 12,000 square metres, respectively. Therefore, the new venture in Kai Tak will be a significant part of the Group's businesses.

¹ <https://www.info.gov.hk/gia/general/202208/02/P2022080200256.htm>

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The investment in the Kai Tak project was first announced by the Company in November 2016, before the social unrest and the outbreak of Covid-19. It was later mentioned in the annual report for the year ended 31 December 2016 that (i) the total investment before interest cost of the Kai Tak project was estimated to be approximately HK\$13,000 million; (ii) the construction was expected to be completed before end of 2021; and (iii) the new store was expected to commence business in 2022.

The development of the Kai Tak project has experienced some delays and it is stated in the 2022 interim report of the Company that the Kai Tak retail complex is expected to be in business by the end of 2023 at the earliest. A similar schedule is also mentioned in the section headed “6. REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement. The Offeror is of the view that time and patience will inevitably be required to establish a substantial foot traffic and therefore the operating performance of the Kai Tak project in the initial few years could be disappointing.

We understand from the management of the Company that leasing work has been commenced for a few months and the feedback from the market regarding the Kai Tak area is positive in general, although there has not yet been firm commitment received from retailers, or tenants in terms of taking up space in the Group’s Kai Tak retail complex up to the Latest Practicable Date. Based on management’s past experience and estimate, it may take a few years to establish a substantial foot traffic of any newly-opened retailing and shopping mall, and the financial performances of the department store operation in particular could be challenging.

Investments in the United Kingdom — Deviation from the Group’s core business

The Group started to invest in the United Kingdom since 2019. Initially the Group invested in certain unlisted equity-linked notes which were linked with shares listed in the United Kingdom. As at 31 July 2022, the Group held for long term investment purpose a total of 7,798,166 shares of Land Securities Group PLC (Stock symbol: LAND), a real estate investment trust (“REIT”) with all of its assets and operations in the United Kingdom, and 7,264,135 shares of The British Land Company PLC (Stock symbol: BLND), a leading UK property company, with an aggregate cost of approximately GBP96.6 million and aggregate market value of GBP92.7 million (equivalent to approximately HK\$884.8 million), suggesting an unrealised fair value loss of GBP3.9 million (equivalent to approximately HK\$37.0 million, including an exchange loss on the British Pound Sterling).

In November 2020, the Group acquired a piece of land and the commercial building thereon located in St James’s Square, London, for a consideration of GBP250.1 million (equivalent to approximately HK\$2,571.0 million). It was mentioned in the relevant announcement that the Group believes such acquisition represents a rare opportunity for the Group to own a high-quality freehold property in

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a prime area in London, as well as diversify and enhance the Group's asset portfolio and to provide a source of recurrent revenue through rental income. The property has been leased back to the seller with the lease expiring in May 2024.

We understand from the management of the Company that they have been monitoring the markets in the United Kingdom for potential investment targets, but there is no project in the pipeline yet. As stated in the Scheme Document, the Offeror believes that the Group may need to further diversify its business model and asset base to generate different sources of revenue.

While diversification of businesses may improve the stability of the Group's financial performance, it also brings new uncertainties such as country risks and currency risks. For example, the British Pound Sterling has been relatively weak against the US dollar and thus Hong Kong dollar, the Group's reporting currency, in recent months. As a result, carrying value of the Group's equity investment and property interest in the United Kingdom and the rental income which are denominated and received in British Pound Sterling will be negatively affected. Such negative impact might persist if the British Pound Sterling continues to weaken. The Proposal therefore provides an opportunity for the Scheme Shareholders who wish to invest solely on Hong Kong retail companies to realise their investment in the Company at a premium to the recent historic market prices of the Shares, and re-invest the proceeds in pure-play Hong Kong retail companies.

Uncertainties of future dividends

As stated in the Scheme Document, the Company has a track record of generating return to Shareholders through the payment of cash dividends since its listing in 2004. As shown in the table below, the annual total cash dividend pay-out ratio of the Company has been in the range of 33.6% to 63.3% of its respective annual net profits from 2005, the first full financial year after listing, to 2019. In addition, as set out in the annual reports for the years ended 31 December 2018, 2019, 2020 and 2021, it is the Company's intention to provide stable financial returns to Shareholders by maintaining a pay-out ratio of not less than 35% as its dividend policy through the distribution of an interim and a final dividend each year.

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Table 7 — Profits and cash dividends of the Company since its listing

Financial year	Profit for the year attributable to owners of the Company <i>(HK\$ million)</i>	Total cash dividends distributed during the year <i>(HK\$ million)</i>	Annual total cash dividend pay-out ratio <i>(%)</i>
2004	414.13	49.30	11.9%
2005	539.38	248.00	46.0%
2006	740.17	275.28	37.2%
2007	1,024.09	357.09	34.9%
2008	927.23	435.19	46.9%
2009	1,142.47	384.07	33.6%
2010	1,407.53	531.87	37.8%
2011	1,867.17	642.22	34.4%
2012	2,057.46	791.63	38.5%
2013	2,448.25	894.50	36.5%
2014	2,143.99	939.26	43.8%
2015	1,914.39	1,021.19	53.3%
2016	1,600.91	1,012.84	63.3%
2017	2,874.64	1,012.84	35.2%
2018	1,690.07	1,006.19	59.5%
2019	1,890.68	1,006.28	53.2%
2020	138.51	—	0.0%
2021	(1,305.00)	—	0.0%

Source: Annual reports of the Company

Since the outbreak of Covid-19 in early 2020, the Group has prioritised cash preservation for the long-term financial health of the Group over distributions of dividends. As a result, the Group did not declare or pay a final dividend for FY2019 and has not declared any dividends since then. Given the reasons explained above, we concur that it is uncertain and difficult to predict when the Company can resume dividend payment.

Given the Company may not be able to reward Shareholders in the near future with dividends of the same magnitude as in previous years, the Proposal therefore provides an opportunity for the Scheme Shareholders who place a high priority on cash dividends to realise their investment in the Company at a premium to the recent historic market prices of the Shares, and re-invest the proceeds in similar companies or REITs which are more likely to pay cash dividends.

Flexibility in formulating long-term business development strategy and reduction of costs incurred from maintaining a listing platform with a limited fund-raising function

As discussed above, the Group is facing a challenging market environment in Hong Kong and has been diversifying into other countries such as the United Kingdom. The Proposal, if implemented, will provide more flexibilities to the Group as a privately-owned entity in formulating and implementing its long-term strategies or to

pursue other business opportunities, without subjecting itself to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange and without having to focus on the short-term market reactions.

As advised by the management of the Company, the Company has not conducted any equity fund raising activities in the last three years at least, partly because of the deterioration of the Share price. We concur with the view of the Company that the ability of the Company to raise funds from the equity capital markets through its listing platform is limited, and the current listing platform may no longer be able to serve as a practical channel for fund raising for the Group's business and long-term growth. Moreover, the listing of the Company involves administrative, compliance and other listing-related costs and expenses being incurred. If the Proposal is successful, these costs and expenses would be eliminated.

Weak performance of the Share price and thin liquidity

As discussed in earlier sections, we are of the view that the Share price has been performing poorly with deteriorating liquidity. However, owing to the constraints to maintain the minimum public float, any share buybacks of a significant amount by the Company or purchases in the market by the Offeror and the Offeror Concert Parties, which could support the Share price and its liquidity, are unlikely. Therefore, the Proposal provides an opportunity for those Scheme Shareholders who wish to realise their investments in the Company at a premium over the market price of the Shares.

V. FURTHER ASSESSMENT OF THE PROPOSAL

Comparable companies

Department store operators

Given the Group is principally engaged in the operation of department stores in Hong Kong, in order to assess the fairness and reasonableness of the Cancellation Price, we have identified an exhaustive list of three companies listed on the Main Board of the Stock Exchange which are principally engaged in the operation of department stores and generated over 70% of their revenue from Hong Kong in their respective latest financial years (the "Comparable Department Store Operators"). Such list includes Wing On Company International Limited ("Wing On"), Henderson Investment Limited ("Henderson") and The Sincere Company Limited ("Sincere").

We have considered various commonly adopted valuation benchmarks in comparing the value of a company's shares and adopted the price-to-sales ratio (the "P/S Ratio") of the Comparable Department Store Operators against that as implied by the Cancellation Price.

We have considered adopting the price-to-earnings ratio (the "P/E Ratio") as a valuation benchmark. However, it is not applicable as the Group was loss making in FY2021. While we can use the Group's core operating profit, which was positive for FY2021, to calculate the P/E ratio of the Group, the Comparable Department Store

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Operators do not provide the corresponding profit figures which were adjusted by fair value changes on financial assets, financial liabilities and investment properties, and non-recurring items. We also consider that price-to-book ratio (the “P/B Ratio”) is not a meaningful valuation benchmark in this case as the Comparable Department Store Operators vary in terms of whether the properties of their department stores operate are self-owned and whether the relevant properties are valued at book cost or market value. Among the Comparable Department Store Operators, Wing On is the only company which owns its principal retailing properties.

Table 8 — P/S Ratios of the Comparable Department Store Operators

Company	Stock Code	Major brands of department stores	Revenue of the latest financial year (HK\$ million)	As at the Last Trading Date		As at the Latest Practicable Date	
				Market capitalisation (HK\$ million)	P/S Ratio (times)	Market capitalisation (HK\$ million)	P/S Ratio (times)
Wing On	289.HK	Wing On	1,129	4,922	4.4	3,727	3.3
Henderson	97.HK	Citistore, Citilife	1,770	975	0.6	762	0.4
Sincere (Note 1)	244.HK	Sincere	168	414	2.5	368	2.2
			Average		2.5		2.0
			Median		2.5		2.2
			Maximum		4.4		3.3
			Minimum		0.6		0.4
The Company (Note 2)	1212.HK	Sogo	2,290	7,510	3.3	7,510	3.3

Sources: Bloomberg, annual reports of the Company and the Comparable Department Store Operators

Notes:

- The latest financial year of Sincere was from 1 March 2021 to 31 December 2021. The revenue of Sincere for the 10 months amounted to HK\$140 million. For our analysis here, we have annualised such 10-month revenue.
- The P/S Ratio of the Company is calculated based on the market capitalisation implied by the Cancellation Price and the Group’s revenue in the latest financial year.

As shown in the table above, the Company is larger than all the Comparable Department Store Operators in terms of market capitalisation and revenue, and Sincere is the smallest one in terms of both measurements. While the scale of Wing On and Henderson is comparable with the Company in terms of revenue, notably Henderson has a much smaller market capitalisation and thus a smaller P/S Ratio.

The P/S Ratio implied by the Cancellation Price was 3.3 times, which is within the range of the P/S Ratios of the Comparable Department Store Operators and higher than the average and median P/S Ratios of the Comparable Department Store Operators as at the Last Trading Date and the Latest Practicable Date, which is a favourable factor when analysing the Proposal.

Property investment companies

Although only a small portion of the Group's total revenue was generated from rental income, the Group's interests in retail and commercial properties on a reassessed basis represent the majority of its total assets as at 30 June 2022. Such asset structure is considered to be similar to and comparable with property investment companies, assets of which also substantially consist of property interests. Therefore, we have prepared another list of comparable companies which primarily invest in retail and commercial properties to assess the fairness and reasonableness of the Cancellation Price as compared to the Reassessed NAV per Share.

We have identified an exhaustive list of six companies listed on the Main Board of the Stock Exchange which (i) had a book value between HK\$3 billion and HK\$30 billion according their latest published financial statements; (ii) generated more than 50% of their revenue from rental income from properties in Hong Kong in their respective latest financial years; and (iii) either generated more than 50% of their rental income from retail or commercial investment properties in their respective latest financial years, or in case of no detailed revenue breakdown, have more than 50% of the whole portfolio of investment properties comprising commercial or retail properties in terms of gross floor area (the "Comparable Property Investment Companies"). Although the net assets of Wing On amounted to approximately HK\$19 billion and it has substantial investment in retail and commercial properties, given more than 50% of its revenue is derived from operation of department stores as mentioned above, it does not satisfy our criteria for Comparable Property Investment Companies.

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Table 9 — P/B Ratios of the Comparable Property Investment Companies

Company	Stock Code	Major retail properties	As at the Last Trading Date		P/B (times)	As at the Latest Practicable Date		P/B (times)
			Latest published book value (HK\$ million)	Market capitalisation (HK\$ million)		Latest published book value (HK\$ million)	Market capitalisation (HK\$ million)	
Fortune Real Estate Investment Trust	778.HK	Private housing estate retail properties	29,183	13,144	0.45	29,174	9,938	0.34
Soundwill Holdings Ltd	878.HK	Soundwill Plaza, Soundwill Plaza II — Midtown, 10 Knutsford Terrace and THE SHARP	19,525	1,771	0.09	19,512	1,771	0.09
Sunlight Real Estate Investment Trust	435.HK	Metro City Phase I Property, Sheung Shui Centre Shopping Arcade, Beverley Commercial Centre Property	14,230	6,306	0.44	14,051	4,524	0.32
Associate International Hotels Ltd (Note 1)	105.HK	iSQUARE	9,320	3,924	0.42	9,320	3,600	0.39
Pioneer Global Group Ltd	224.HK	Pioneer Place, 68 Yee Wo Street Building	7,558	981	0.13	7,558	923	0.12
Melbourne Enterprises Ltd	158.HK	Melbourne Plaza, Kimley Commercial Building	7,811	3,275	0.42	7,811	2,625	0.34
			Average		0.33			0.27
			Median		0.42			0.33
			Maximum		0.45			0.39
			Minimum		0.09			0.09
The Company (Note 2)	1212.HK	The Properties	15,920	7,510	0.47	15,920	7,510	0.47

Sources: Bloomberg, annual reports, annual results announcements, interim results announcements of the relevant companies

Notes:

- Associate International Hotels Ltd (“Associate International”) is owned as to 50.01% by another Hong Kong listed company Tian Teck Land Limited (“Tian Teck”, Stock Code: 266). Given the financial accounts of Associate International are fully consolidated into those of Tian Teck and Tian Teck does not own many major assets other than those owned by Associate International, we have excluded Tian Teck from the list to avoid duplication.
- The P/B Ratio of the Company is calculated based on the market capitalisation implied by the Cancellation Price and the Reassessed NAV.

As shown in the table above, the Comparable Property Investment Companies had (i) a range of P/B Ratio from 0.09 to 0.45, with the average and median P/B Ratio being 0.33 and 0.42, respectively, as at the Last Trading Date; and (ii) a range of P/B Ratio from 0.09 to 0.39, with the average and median P/B Ratio being 0.27 and 0.33, respectively, as at the Latest Practicable Date. The P/B Ratio of the Company based on the Cancellation Price and the Reassessed NAV, being 0.47, is higher than both of the ranges of the Comparable Property Investment Companies as at the Last Trading Date and the Latest Practicable Date, which is a favourable factor when analysing the Proposal.

Privatisation precedents proposals in Hong Kong

As part of the assessment of the fairness and reasonableness of the terms of the Proposal, we have identified privatisation transactions of other listed companies that were (i) listed on the Main Board of the Stock Exchange; (ii) implemented by way of a scheme of arrangement; (iii) offering cash consideration only; (iv) announced during the 12-month period prior to and including the date of the Joint Announcement; and (v) approved by the disinterested shareholders. However, only six privatisation precedents were identified based on the aforesaid time period. We are of the view that such sample size is relatively small and may not give a representative view. Therefore, we have extended the period to 24 months prior to and including the date of the Joint Announcement. Based on these criteria, we have identified 20 privatisation precedents (the “Privatisation Precedents”), which are exhaustive and a fair representation of transactions comparable to the Proposal.

However, it should be noted that the Privatisation Precedents were conducted under different market conditions. Therefore, the factors and considerations that affect the premia or discounts of cancellation prices vary on a case-by-case basis, and may be different from those applicable to the Proposal and the Scheme. Nevertheless, the Privatisation Precedents as a whole should provide us with a meaningful analysis of the recent market trend of the pricing of privatisation in the Hong Kong equity capital market, as well as a meaningful benchmark for the Scheme Shareholders when evaluating the premium provided in the Proposal, we regard the Privatisation Precedents has some reference value and is one of the bases used in our assessment of the Cancellation Price. Set out below is a table which shows the comparisons of premia, or discounts over the then market prices at which the Privatisation Precedents were priced.

Table 10 — List of successful privatisations of Hong Kong listed companies in the 24-month period prior to and including the date of the Joint Announcement

Company (stock code)	Principal activities	Date of initial announcement (Note 1)	Last trading day (Note 1&2)	Premium/(Discount) of cancellation price over/(to) the average closing share price up to and including the			Premium/(Discount) of cancellation price over/(to) the NAV per share (Note 2)			the reassessed NAV per share (Note 2&3)
				Last 5 trading days (Note 1&2)	Last 30 trading days (Note 1&2)	Last 60 trading days (Note 1&2)	Last 90 trading days (Note 1&2)	Last 120 trading days (Note 1&2)	Last 120 trading days (Note 2)	
1 AKM Industrial Company Limited (1639)	Manufacturing and sales of flexible printed circuit and flexible packaging substrates	14-Jan-22	15.19%	24.49%	25.75%	29.02%	40.72%	50.93%	70.88%	n/a
2 Razer Inc. (1337)	Design, manufacturing and distribution of gaming hardware and software	1-Dec-21	5.60%	5.20%	19.00%	38.90%	42.40%	41.00%	487.50%	n/a
3 Yorkey Optical International (Cayman) Ltd. (2788)	Manufacturing and sales of parts and components of optical and opto-electronic products	15-Oct-21	75.30%	95.90%	102.60%	101.00%	101.00%	101.40%	24.30%	6.30%
4 C.P. Pokphand Co. Limited (45)	Agri-food businesses in China and Vietnam	30-Sep-21	19.79%	22.34%	27.78%	33.72%	30.68%	26.37%	7.52%	n/a
5 Hop Hing Group Holdings Limited (47)	Operation of quick service restaurants business in China	6-Sep-21	73.90%	74.70%	70.90%	62.90%	61.00%	62.90%	57.80%	n/a
6 Good Friend International Holdings Inc. (2398)	Design and production of machine tools	12-Aug-21	50.00%	73.61%	61.58%	49.01%	38.89%	33.51%	31.58%	-20.21%
7 Nature Home Holding Company Limited (2083)	Manufacturing and sales of flooring products	27-Jul-21	39.30%	38.20%	31.80%	30.80%	38.20%	45.30%	-19.00%	-23.10%
8 Bestway Global Holding Inc. (3338)	Manufacturing and sales of sporting and leisure products	25-Jun-21	27.00%	29.60%	47.00%	62.80%	71.80%	84.00%	10.90%	0.00%
9 Chong Hing Bank Limited (1111)	Provision of banking and related financial services	18-May-21	51.20%	101.20%	107.40%	109.90%	113.60%	114.90%	-10.10%	n/a

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Company (stock code)	Principal activities	Date of initial announcement (Note 1)	Last trading day (Note 1&2)	Premium/(Discount) of cancellation price over/(to) the average closing share price up to and including the				Premium/(Discount) of cancellation price over/to		
				Last 5 trading days (Note 1&2)	Last 30 trading days (Note 1&2)	Last 60 trading days (Note 1&2)	Last 90 trading days (Note 1&2)	Last 120 trading days (Note 1&2)	the NAV per share (Note 2)	the reassessed NAV per share (Note 2&3)
10 Xiezhong International Holdings Limited (3663)	Development, production and sales of automotive systems and related components	28-Feb-21	17.60%	17.60%	25.00%	37.90%	42.90%	35.60%	116.20%	400.00%
11 Zhuhai Holdings Investment Group Limited (908) ("Zhuhai Holdings")	Operation of public utilities such as port facilities and property development	22-Jan-21	37.84%	37.84%	52.39%	56.12%	57.41%	63.64%	76.37%	-21.52%
12 Polytec Asset Holdings Limited (208) ("Polytec")	Property investment, trading and development related activities and interests in property development	21-Jan-21	61.29%	61.29%	72.55%	94.23%	104.14%	105.82%	-55.02%	-54.61%
13 Rivera (Holdings) Limited (281)	Securities trading and investment	18-Jan-21	12.07%	12.07%	26.34%	43.59%	54.52%	59.13%	-33.13%	-57.60%
14 HKC (Holdings) Limited (190) ("HKC")	Property development and investment mainly in the PRC	17-Jan-21	120.39%	120.39%	119.78%	109.42%	100.00%	93.70%	-70.20%	-68.30%
15 SHK Hong Kong Industries Limited (666)	Investments in listed and unlisted financial instruments	18-Dec-20	50.00%	50.00%	56.70%	66.70%	69.40%	69.40%	-22.20%	n/a
16 I.T. Limited (999)	Design, sourcing and sales of fashion wear and accessories	6-Dec-20	54.60%	54.60%	135.50%	162.40%	173.00%	170.40%	73.10%	n/a
17 Tonly Electronics Holdings Limited (1249)	Manufacturing and sales of audio-visual products and related components	30-Oct-20	19.00%	19.00%	28.00%	25.50%	35.80%	45.50%	81.30%	n/a
18 CIMC-TianDa Holdings Company Limited (445)	Manufacturing and sales of firefighting and rescue related products, airport facilities and automated parking systems	4-Oct-20	20.36%	20.36%	18.22%	26.67%	37.11%	46.15%	10.83%	n/a

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Company (stock code)	Principal activities	Date of initial announcement (Note 1)	Premium/(Discount) of cancellation price over/(to) the average closing share price up to and including the				Premium/(Discount) of cancellation price over/to the NAV per share (Note 2)				the reassessed NAV per share (Note 2&3)
			Last trading day (Note 1&2)	Last 5 trading days (Note 1&2)	Last 30 trading days (Note 1&2)	Last 60 trading days (Note 1&2)	Last 90 trading days (Note 1&2)	Last 120 trading days (Note 1&2)			
19 Changshouhua Food Company Limited (1006)	Production and sales of edible oil	7-Sep-20	16.40%	22.20%	43.20%	64.10%	65.80%	66.10%	-38.50%	n/a	
20 Leyou Technologies Holdings Limited (1089)	On-line game operation and retail game development	27-Aug-20	4.46%	5.86%	8.32%	17.44%	25.03%	28.66%	435.78%	n/a	
All the 20 Privatisation Precedents:	Average		38.56%	46.16%	53.99%	61.11%	65.17%	67.22%	61.90%	17.88%	
	Median		32.42%	33.17%	45.10%	52.57%	55.97%	61.02%	17.60%	-21.52%	
	Max		120.39%	122.22%	135.50%	162.40%	173.00%	170.40%	487.50%	400.00%	
	Min		4.46%	5.20%	8.32%	17.44%	25.03%	26.37%	-70.20%	-68.30%	
Selected Privatisation Precedents (as defined below) — Zhubai Holdings, Polytec and HKC:	Average		73.17%	72.50%	81.57%	86.59%	87.18%	87.72%	-15.62%	-48.14%	
	Median		61.29%	58.56%	72.55%	94.23%	100.00%	93.70%	-53.02%	-54.61%	
	Max		120.39%	122.22%	119.78%	109.42%	104.14%	105.82%	76.37%	-21.52%	
	Min		37.84%	36.73%	52.39%	56.12%	57.41%	63.64%	-70.20%	-68.30%	
The Company	Operation of department stores, property development and investment in Hong Kong and the United Kingdom		62.34%	75.93%	70.11%	58.66%	48.08%	38.72%	287.54%	-52.83%	

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

Notes:

1. The date of initial announcement represents the date of the announcements pursuant to Rule 3.5 or Rule 3.7 of the Takeovers Code, whichever is earlier. Unless otherwise stated, the above premium of the offer, or cancellation price over the last trading price and average closing price per share (up to and including the relevant last trading day) is calculated based on the last trading price prior to the commencement of the offer period.
2. Subject to rounding differences.
3. Based on the adjusted/reassessed net asset value per share (where applicable) extracted from the relevant scheme document/offer document of the Privatisation Precedents.

Premia of cancellation prices over prevailing market prices

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

The premia offered by the Cancellation Price over the closing price as quoted on the Last Trading Date and the average closing prices for the five, 30, 60, 90 and 120 trading days up to and including the Last Trading Date are approximately 62.34%, 75.93%, 70.11%, 58.66%, 48.08% and 38.72%, respectively.

The premia represented by the Cancellation Price over the Last Trading Date and the average closing prices for the five and 30 trading days up to and including the Last Trading Date are higher than the corresponding average and median premia represented by the Privatisation Precedents.

The premium represented by the Cancellation Price over the average closing price for the 60 trading days up to and including the Last Trading Date is close to the average and median premium presented by the Privatisation Precedents.

The premia represented by the Cancellation Price over the average closing prices for the 90 and 120 trading days up to and including the Last Trading Date are lower than the corresponding average and median represented by the Privatisation Precedents, mainly due to the declining Share prices (refer to the section headed “*Historical price performance of the Shares*” for more details), but still within the range of the relevant premia represented by the Privatisation Precedents.

Discounts of cancellation prices to the reassessed NAV per share

Regarding the analysis and comparison of the discount of Cancellation Price to the Reassessed NAV per Share and those of the Privatisation Precedents, we are of the view that due to differences in business nature and thus, differences in the amount and types of assets, direct comparison with all the Privatisation Precedents would be meaningless and misleading.

According to the latest annual report of the Company, the majority of the Group’s asset comprises investment properties, leasehold land and buildings, and construction in progress. In order to provide a meaningful comparison and analysis of the Cancellation Price and the Reassessed NAV per Share, we have selected, out of the Privatisation Precedents, companies with at least 50% of total assets comprising land and properties such as investment properties, properties under development, properties held-for-sale, leasehold land and buildings, as stated in their latest annual report before being privatised. Three precedents, being Zhuhai Holdings, Polytec and HKC (the “Selected Privatisation Precedents”), were selected based on the above criteria. All the three companies have property development and investment as one of their major business segments.

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As illustrated in Table 10 above, the discount of the cancellation price to the reassessed NAV per share of the Selected Privatisation Precedents ranged from approximately 68.30% to 21.52% with an average and median discount of approximately 48.14% and 54.61%, respectively. The discount to the Reassessed NAV per Share implied by the Cancellation Price of 52.83% is within the range and is comparable to the average and median of the Selected Privatisation Precedents.

VI. CONCLUSIONS AND RECOMMENDATION

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

- (i) the Cancellation Price represents a premium ranging from approximately 30.01% to 81.88% over the closing prices of the Shares on the Last Trading Date, and over the average closing price of the Shares in the five, 10, 30, 60, 90, 120 and 180 trading days up to and including the Last Trading Date. Given the Share price has been on a downward trend, the price premium represented by the Cancellation Price tend to be greater if it is compared with recent trading price of the Shares. We are of the view that the premium of the Cancellation Price to the prevailing market price of the Shares before the Last Trading Date, and the size of such premium, are, in the absence of any contradictory factors, the primary indication of the fairness of the Proposal, as the premium represents an immediate benefit which the Independent Shareholders could be rewarded by approving the Proposal;
- (ii) the average daily trading volume of the Shares has been thin in general during the Review Period, and the Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. The Proposal, therefore, represents an opportunity for the Shareholders to dispose of their entire holdings at the Cancellation Price of HK\$5.00 each, a price higher than could be expected to be realised in the absence of the Proposal;
- (iii) given the constraints to maintain the minimum public float, any share buybacks of a significant amount by the Company or purchases in the market by the Offeror and the Offeror Concert Parties, which could support the Share price and its liquidity, are unlikely;

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- (iv) the future prospects of the Group carry uncertainties and risks around the retail sector in Hong Kong, the Kai Tak project and the Group's investments in the United Kingdom, and it may affect the capability of the Company to distribute significant dividends to the Shareholders;
- (v) the P/S Ratio as implied by the Cancellation Price of 3.3 times which was higher than the average and median of those of the Comparable Department Store Operators on the Last Trading Date and the Latest Practicable Date; and the P/B Ratio as implied by the Cancellation Price was 0.47 times which was also higher than the average and median P/B Ratios of those of the Comparable Property Investment Companies on the Last Trading Date and the Latest Practicable Date. On this basis, we are of the view that the Cancellation Price, from the standpoint of the P/S Ratio and the P/B Ratio as implied by the Cancellation Price analysis, is reasonable;
- (vi) public shareholders have limited ability to realise the underlying asset value attributable to their investment. In the absence of a proposal under which major assets of the Company are realised and the proceeds are distributed to the Shareholders, which is not the Company's intention, minority Shareholders can only look to the traded price of their Shares to realise their investment as they have limited control on the disposition of a company's underlying assets;
- (vii) the premia of the Cancellation Price over the closing price of the Share on the Last Trading Date, and over the average closing price of the Shares in the five, 30 and 60 trading days up to and including the Last Trading Date are close to or higher than the corresponding average and median premia of the Privatisation Precedents; while the discount of the Cancellation Price to the Reassessed NAV per Share is close to the average and median discount of the Selected Privatisation Precedents; and
- (viii) the payment of the Cancellation Price of HK\$5.00 per Share in cash provides the Scheme Shareholders flexibility to redeploy capital invested in the Company at a time of considerable uncertainty on the prospects of the Group into other investments that they consider more attractive.

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

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

Stephen Clark
Managing Director

Raymond Cheung
Director

1. Mr. Stephen Clark is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.
2. Mr. Raymond Cheung is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 11 years of experience in corporate finance.

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

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

1. INTRODUCTION

Reference is made to the joint announcement dated 5 August 2022 issued by the Offeror and the Company in relation to the Proposal. On 1 August 2022, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act, subject to the Conditions being fulfilled or waived, as applicable.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme.

Your attention is also drawn to (i) the letter from the Board set out on pages 17 to 32 of this Scheme Document; (ii) the letter from the Independent Board Committee set out on pages 33 to 34 of this Scheme Document; (iii) the letter from the Independent Financial Adviser set out on pages 35 to 70 of this Scheme Document; (iv) the terms of the Scheme set out on pages 146 to 153 of this Scheme Document; (v) the notice of the Court Meeting and the notice of the General Meeting set out on pages 154 to 159 of this Scheme Document; and (vi) forms of proxy in respect of the Court Meeting and the General Meeting as enclosed with this Scheme Document.

2. TERMS OF THE PROPOSAL

The Scheme

If the Proposal is approved and implemented, under the Scheme:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder as at the Scheme Record Date of the Cancellation Price in cash for each Scheme Share cancelled and extinguished;
- (b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be restored to the amount immediately before the cancellation and extinguishment of the Scheme Shares by the allotment and issuance to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares

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cancelled and extinguished, and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror; and

- (c) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place as soon as practicable after the Effective Date.

Upon the Scheme becoming effective, the Offeror and the Offeror Concert Parties Not Subject to the Scheme will hold all the issued Shares of the Company.

Cancellation Price

If the Scheme is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration therefor, each Scheme Shareholder as at the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$5.00 in cash for each Scheme Share cancelled and extinguished. The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Cancellation Price of HK\$5.00 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

In the paragraphs below titled “**Comparison of value**” and “**Highest and lowest prices**”, the historical closing prices per Share mentioned as quoted on the Stock Exchange were obtained from the website of the Stock Exchange (<http://www.hkex.com.hk>) on the Last Trading Date, and thus have been adjusted for corporate actions and entitlement events including special dividends based on adjustment methods adopted by the Stock Exchange. Please refer to the website of the Stock Exchange for the adjustment method of historical securities prices.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

Comparison of value

The Cancellation Price of HK\$5.00 per Scheme Share represents:

- (a) a premium of approximately 10.13% over the closing price of HK\$4.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 62.34% over the closing price of HK\$3.080 per Share as quoted on the Stock Exchange on the Last Trading Date;

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- (c) a premium of approximately 75.93% over the average closing price of approximately HK\$2.842 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 81.88% over the average closing price of approximately HK\$2.749 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 70.11% over the average closing price of approximately HK\$2.939 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 58.66% over the average closing price of approximately HK\$3.151 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 48.08% over the average closing price of approximately HK\$3.376 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 38.72% over the average closing price of approximately HK\$3.604 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 30.01% over the average closing price of approximately HK\$3.846 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (j) a premium of approximately 182.92% over the consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.767 as at 31 December 2021, based on the audited consolidated net asset value and total number of issued Shares at 31 December 2021;
- (k) a premium of approximately 287.54% over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.290 as at 30 June 2022; and
- (l) a discount of approximately 52.83% to the Unaudited Adjusted NAV per Share of approximately HK\$10.60 as at 30 June 2022.

Highest and lowest prices

During the six-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.550 on 23 February 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.620 on 27 July 2022.

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Basis for determining the Cancellation Price

The Cancellation Price has been determined after taking into account, among others, the recently traded prices of the Shares on the Stock Exchange and the publicly available financial information of the Company as at 31 December 2021 and 30 June 2022, and with reference to pricing premium for privatisation transactions in Hong Kong for the past 24 months.

Dividend payment by the Company

The Company (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$5.00 per Scheme Share and 376,818,208 Scheme Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued on or before the Scheme Record Date, the maximum amount of cash required to effect the Proposal would be approximately HK\$1,884,091,040.00.

The Offeror's payment obligations to the Scheme Shareholders as at the Scheme Record Date in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the Proposal through a non-revolving facility made available to the Offeror by JPMSG during the Certain Funds Period.

DBSAC is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

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 (by way of poll) at the Court Meeting by Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting in accordance with the requirements of section 86(2A) of the Cayman Companies Act as at the date of the Court Meeting;
- (b) the approval of the Scheme (by way of poll) at the Court Meeting by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are cast either in

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person or by proxy at the Court Meeting and the number of votes cast by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Shareholders;

- (c) 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 to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and an ordinary resolution to approve (i) the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (ii) the application of the credit arising in the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new Shares issued to the Offeror, credited as fully paid;
- (d) the Grand Court's sanction of the Scheme (with or without modification) under section 86(2A) of the Companies Act and its confirmation of the reduction of the issued share capital of the Company involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of, and minutes approved by, the Grand Court for registration;
- (e) all 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 Company) 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;
- (f) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted 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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- (g) 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;
- (h) 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.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (d) above, which may not be waived) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or (where permitted) waived, as applicable, on or before the Long Stop Date, failing which the Scheme will not become effective and the Proposal will lapse. 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 or the Scheme if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal or the Scheme.

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With reference to Condition in paragraph (a) above, the Cayman Islands has gazetted the Companies (Amendment) Act 2021 (the “Amendment Act”) on 16 December 2021. Pursuant to the Amendment Act, a new section 86(2A) of the Companies Act will apply to members’ schemes (such as the Scheme) and will provide that:

“If seventy-five per cent in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Court, be binding on all the members or class of members, as the case may be, and also on the company or, where a company is in the course of being wound up, on the liquidator and contributories of the company.”

Pursuant to the Companies (Amendment) Act 2021 (Commencement) Order 2022 gazetted on 29 July 2022 (the “Commencement Order”), the Amendment Act came into effect on 31 August 2022, including the new section 86(2A) of the Companies Act in the form described above. Accordingly, the Scheme only requires the approval of not less than 75% in value of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, and the former requirement to obtain the approval of the majority in number of Scheme Shareholders present and voting either in person or by proxy at the Court Meeting will not be required.

As at the Latest Practicable Date, (i) with reference to the Condition in paragraph (e), the Offeror and the Company are not aware of any requirement for such authorisations, approvals, permissions, waivers, consents, registrations or filings other than those set out in the Conditions in paragraphs (a) to (d), (ii) with reference to the Condition in paragraph (f), the Offeror and the Company are not aware of any such action, proceeding, suit, investigation, enquiry, statute, regulation, demand or order, and (iii) with reference to the Condition in paragraph (g), the Offeror and the Company are not aware of any such legal or regulatory requirement other than those set out in the Conditions in paragraphs (a) to (e).

With reference to the Condition in paragraph (h), consent from majority lenders of an existing banking facility is required on, amongst other things, the arrangement of the Scheme and the delisting of Shares, and the change of the shareholding structure and board composition. The Company has obtained consent from the agent of the existing banking facility and amendments to the facility agreement will be made in due course to cater for the withdrawal of listing of the Shares as the Group will no longer be a listed group of companies if the Scheme becomes effective.

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

If the Conditions are satisfied or (where applicable) waived and the Scheme becomes effective, the Scheme will be binding on the Company and all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the General Meeting on Monday, 21 November 2022 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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

3. VOTING AT THE COURT MEETING AND THE GENERAL MEETING

All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting.

Each of the Offeror, and Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court not to attend and/or vote at the Court Meeting and will procure the registered holder will not be instructed to, and will not, vote such Shares at the Court Meeting. The Offeror Concert Parties Subject to the Scheme, being Ms. Lau, Ms. Lau's SPV Entity, the Trust and Ms. Chan, who in aggregate held 23,709,500 Shares, representing approximately 1.58% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the Scheme at the Court Meeting. All Shareholders will be entitled to vote on (i) the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of share capital and (ii) the ordinary resolution for the implementation of the Proposal.

Offeror Concert Parties who are interested in the Scheme Shares have indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the resolution to be proposed at the General Meeting to approve and give effect to the reduction of share capital and implementation of the Proposal.

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4. ARRANGEMENTS MATERIAL TO THE PROPOSAL

Pursuant to Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if, in addition to satisfying any voting requirements imposed by the Cayman Companies Act:

- (a) the Scheme is approved by at least 75% of the votes attaching to the disinterested shares that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all disinterested shares.

As such, any vote by the Offeror or any of the Offeror Concert Parties who are interested in the Scheme Shares will be disregarded in deciding whether the relevant approval threshold has been met. The Offeror and the Offeror Concert Parties who are interested in the Scheme Shares will abstain from voting on the Scheme at the Court Meeting.

Each of the Offeror, and Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court not to attend and/or vote at the Court Meeting and will procure the registered holder will not be instructed to, and will not, vote such Shares at the Court Meeting. In addition,

- (i) the Trust (by one of its trustees), Ms. Lau, Ms. Lau's SPV Entity and Ms. Chan has provided undertakings to the Grand Court before the directions hearing for the convening of the Court Meeting to consent and agree to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purposes of giving effect to the Scheme and to receive the Cancellation Price in consideration for cancellation of his/her Scheme Shares under the Scheme; and
- (ii) the Offeror and the Offeror Concert Parties Not Subject to the Scheme have provided undertakings to the Grand Court before the directions hearing for the convening of the Court Meeting to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purposes of giving effect to the Scheme.

Save as mentioned above, as at the Latest Practicable Date:

- (a) the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued Shares of 1,501,916,000 Shares;
- (b) save for the 1,148,807,292 Shares, representing approximately 76.49% of the issued Shares, held by the Offeror Concert Parties, neither the Offeror nor the Offeror Concert Parties owned, controlled or directed any existing holding of voting rights and rights over the Shares;

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- (c) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror between the Offeror or the Offeror Concert Parties and any other person which might be material to the Proposal;
- (d) there was no agreement or arrangement to which the Offeror or the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition; and
- (e) neither the Offeror nor the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal.

There were no dealings in the Shares and other relevant securities of the Company by the Offeror or the Offeror Concert Parties during the Relevant Period.

5. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME

As at the Latest Practicable Date,

- (a) the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued Shares of 1,501,916,000 Shares in issue; and
- (b) save for Mr. Lau, Ms. Lau Yuk Wai, Amy, Mr. Lau Kam Sen and Ms. Lau Kam Shim (whose interests are as set out in Notes (1), (2) and (4) in the shareholding table below), none of the Directors beneficially had any interests in the Shares.

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Assuming there is no other 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:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the issued Shares	Number of Shares	Approximate % of the issued Shares
(A) Offeror ^{(Note (1))}	—	—	376,818,208	25.09
(B) Offeror Concert Parties				
Not Subject to the Scheme				
Mr. Lau	113,403,292	7.55	113,403,292	7.55
Mr. Lau's SPV Entities ^{(Note (2))}	1,011,694,500	67.36	1,011,694,500	67.36
(C) Offeror Concert Parties				
Subject to the Scheme ^{(Note (3))}				
The Trust ^{(Note (4))}	951,000	0.06	—	—
Ms. Lau ^{(Note (5))}	20,408,000	1.36	—	—
Ms. Lau's SPV Entity ^{(Note (5))}	1,600,000	0.11	—	—
Ms. Chan ^{(Note (6))}	<u>750,500</u>	<u>0.05</u>	<u>—</u>	<u>—</u>
Sub-total for (A) + (B) + (C)	1,148,807,292	76.49	1,501,916,000	100.00
(D) Independent Shareholders	<u>353,108,708</u>	<u>23.51</u>	<u>—</u>	<u>—</u>
TOTAL (A) + (B) + (C) + (D)	<u>1,501,916,000</u>	<u>100.00</u>	<u>1,501,916,000</u>	<u>100.00</u>
(E) Scheme Shareholders				
= (C) + (D) ^{(Note (7))}	376,818,208	25.09	—	—

Note (1): The Offeror is wholly-owned by Mr. Lau. Upon the Scheme becoming effective, the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be restored to its former amount by the allotment and issuance to the Offeror, credited as fully paid, of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

Note (2): These shares are held as to 471,694,500 Shares (representing approximately 31.41% of the issued Shares) by Dynamic Castle, which is wholly-owned by Mr. Lau and 540,000,000 Shares (representing approximately 35.95% of the issued Shares) by United Goal, which is ultimately owned as to 80% by Mr. Lau and 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.

Note (3): DBSAC is the financial adviser of the Offeror. Accordingly, DBSAC and the relevant members of the DBS Group which hold the Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of "acting in concert" in the Takeovers Code. Exempt principal traders which are connected for the sole reason that they are under the same control as DBSAC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the DBS Group acting in the capacity of exempt principal traders

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shall not be voted at the Court Meeting and the General Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code unless the Executive allows such Shares to be so voted. Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the General Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions shall originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader). For this purpose, where applicable, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Proposal will be submitted to the Executive before the date of the Court Meeting. In the event that no such written confirmation is submitted to the Executive and no consent has been obtained from the Executive before the Court Meeting, the Shares held by members of the DBS Group acting in the capacity of exempt principal traders will not be voted at the Court Meeting.

As at the Latest Practicable Date, DBSAC and the relevant members of the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) did not have any interests in the Shares.

Note (4): These Shares are held by a trust for an estate in which certain family members of Mr. Lau have interest. Mr. Lau and Ms. Lau Yuk Wai, Amy are two of the trustees of the trust and each of Mr. Lau Kam Sen, Ms. Lau Kam Shim and Ms. Lau Yuk Wai, Amy is a beneficiary under the Trust.

Note (5): Ms. Lau is a younger sister of Mr. Lau.

Note (6): Ms. Chan is the spouse of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.

Note (7): Scheme Shares shall include any Shares held by Independent Shareholders, the DBS Group, the Trust, Ms. Lau and Ms. Lau's SPV Entity, Ms. Chan and exclude all Shares held by the Offeror and Offeror Concert Parties Not Subject to the Scheme.

The Offeror confirms that, as at the Latest Practicable Date:

- (a) the Offeror did not beneficially own, control or have direction over any Shares;
- (b) the Offeror Concert Parties beneficially owned, controlled or had direction over 1,148,807,292 Shares (representing approximately 76.49% of the issued Shares);
- (c) the Offeror Concert Parties Not Subject to the Scheme beneficially owned, controlled or had direction over 1,125,097,792 Shares, representing approximately 74.91% of the issued Shares;
- (d) the Offeror Concert Parties Subject to the Scheme beneficially owned, controlled or had direction over 23,709,500 Shares, representing approximately 1.58% of the issued Shares;

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- (e) the Scheme Shareholders held 376,818,208 Shares, representing approximately 25.09% of the issued Shares;
- (f) the Independent Shareholders held 353,108,708 Shares, representing approximately 23.51% of the issued Shares;
- (g) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror and the Offeror Concert Parties;
- (h) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company;
- (i) 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;
- (j) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any shareholder of the Company; and (2) either (a) the Offeror and the Offeror Concert Parties; or (b) the Company, its subsidiaries or associated companies; and
- (k) other than the Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties have not paid or will not pay any other consideration, compensations or benefits in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares.

For the avoidance of doubt, the Scheme Shares comprise the Shares beneficially owned, controlled or directed by the Offeror Concert Parties Subject to the Scheme and the Independent Shareholders.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL

Reasons for the Proposal

The retail environment in Hong Kong has been experiencing a downturn since the beginning of the social unrest in mid-2019, with the subsequent outbreak of the COVID-19 pandemic in early 2020 further exacerbating an already dire business landscape. These two factors contributed to a dramatic reduction of mainland Chinese shoppers that previously comprised a sizable share of the retail business in Hong Kong. Additionally, the COVID-19 pandemic has accelerated a transformation of the business landscape including the rapid rise of e-commerce, adding further pressure on the brick and mortar retailers. The financial and operating performance of the Group has been adversely affected by the absence of tourist spending and weak local consumer sentiment due to COVID-19 containment measures including the continued enforcement of stringent travel restrictions as well as an uncertain economic environment.

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Turnover of the Group, a leading physical department store operator in Hong Kong, has been in a declining trend since 2019, with low visibility of any signs of recovery. The Group has continued its efforts in optimizing operations and implementing promotions to stimulate local sales and leverage upon the consumption voucher scheme launched by the Hong Kong government. Despite the Group's total gross sale proceeds managed to increase by 9.9% in 2021 compared with that in 2020, it represented only 53.3% of the total gross sale proceeds recorded in 2018.

As mentioned in the Company's interim report for the six months ended 30 June 2022:

- Management maintains a pessimistic view of Hong Kong's retail sector for the second half of 2022 as the recent rebound in local COVID-19 infections poses challenges to the recovery of Hong Kong's economy and clouds the prospect of the long-awaited border reopening. Moreover, the worsening global economic outlook in the wake of intensifying geopolitical tensions and continuous supply chain disruptions, coupled with tightening monetary policies by various governments to tame soaring inflation, would further undermine business confidence and consumer spending.
- China, the world's second largest economy, has recorded subdued growth for the first half of 2022, as it focused on fighting COVID-19 outbreaks across the country with mass testing and renewed travel restrictions. The new outbreaks have raised concerns of a return to strict measures and lockdowns that would severely disrupt the manufacturing sector, supply chain and daily economic activities, which could in turn adversely impact the growth outlook of the global economy.
- The Hong Kong government will hand out the second part of consumption vouchers in the second half of the year and it is also hoped that the government would roll-out other stimulus measures to support domestic demand and rejuvenate the local economy. However, the long-term economic impact of COVID-19 pandemic and uncertainties over its lingering development is set to weigh upon consumer sentiment. Even with the eventual reopening of borders with mainland China at some stage, a full recovery of the retail industry back to pre-pandemic levels remains formidable in the foreseeable future, as the pandemic may have significantly altered the retailing landscape and consumer behaviour.

To enhance its leadership position and presence in the local retail market, the Group will need to continue making additional investment and leverage on its brand equity and management expertise. For this purpose, the Group has budgeted some HK\$14 billion for the development of a green field retailing complex in the Kai Tak area in Kowloon, Hong Kong (the "Project"). The construction work of the Project has progressed as planned and the retail complex is expected to commence commercial operation by end 2023. While the Offeror is confident of the long-term future of Hong

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Kong, given (a) the current challenging retailing environment and the uncertainties posed by the COVID-19 pandemic on the reopening of cross-border travel with mainland China; and (b) the execution risks associated with the leasing works and the eventual take-up rate of the floor space; time and patience will inevitably be required to ramp-up the foot traffic and therefore the operating performance of the Project in the initial few years could be disappointing and should not be overestimated.

In view of the challenging retail operating environment, the Group has been making investments in the United Kingdom, including a commercial property in London and equity interests in certain companies listed on the London Stock Exchange in the property investment and development sector, in the last two years and the Offeror believes that the Group may need to further diversify its business model and asset base to generate different sources of revenue. These potential new investments may or may not be in line with the Group's retail business with a focus in Hong Kong.

The Company was listed on the Hong Kong Stock Exchange in 2004 and has been generating returns to shareholders through the payment of cash dividends. The annual total cash dividend pay-out ratio of the Company from 2005 through 2019 has been in the range of 33.6% to 63.3% of its respective annual net profits. In addition, there was distribution of shares in Lifestyle Properties Development Limited, now known as Sansheng Holdings (Group) Co. Ltd. (stock code: 2183) and Lifestyle China Group Limited (stock code: 2136) in 2013 and 2016 respectively upon the spin-off and separate listing of both companies. However, since the COVID-19 outbreak in early 2020, the Board has not recommended the payment of dividend to prioritize cash preservation for the long-term financial health of the Group which included the dropping of the final dividend for the year 2019. Looking ahead, it is uncertain and difficult to predict when the Company can resume dividend payment and, if so, at a dividend pay-out ratio comparable to those in the past.

Benefits for the Scheme Shareholders

In view of (i) the challenging operating environment as abovementioned which are expected to continue in the foreseeable future; (ii) the potential risks associating with Group's investments in the Project; (iii) potential further investments required to be made in the United Kingdom; and (iv) uncertainty as to the time and payout ratio of any future dividend payment, the Proposal provides Scheme Shareholders flexibility to redeploy capital invested in the Company at a time of considerable uncertainty on the prospects of the Group into other investments that they consider more attractive. Furthermore, the Cancellation Price of HK\$5.00 for each Scheme Share represents a premium of approximately 62.34% over the closing price of HK\$3.080 per Share as quoted on the Stock Exchange on the Last Trading Date, and a premium of approximately 81.88% and 70.11% over the average closing prices of approximately HK\$2.749 and HK\$2.939 per Share for the 10 and 30 trading days up to and including the Last Trading Date, respectively. The Proposal has already taken into consideration the weak performance and thin liquidity of the Shares with average daily trading volume at about 428,877 Shares for the past 12 months up to and including the Last

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Trading Date, representing less than 0.03% of the total issued Shares as at the Last Trading Date. This low trading volume could make it difficult for the Scheme Shareholders to monetise their investments in the open market. The Proposal therefore provides the Scheme Shareholders with an opportunity to fully realise the value of their investment and interest in the Company at a premium over the market price of the Shares.

Benefits to the Company and the Offeror

Following the Company's announcement on 28 July 2022 of the HK\$475 million loss incurred for the six months ended 30 June 2022, the Offeror expects that investors' interest in the Company would remain muted and trading in the Shares would continue to be thin and the price performance could remain relatively weak in the near term and it does not appear that the Company would be able to utilize its listing status to raise funds from the equity market in the near term. The Proposal therefore would allow the Company to reduce the administrative costs and management resources associated with maintaining its public listed status. The Proposal could also provide more flexibilities to the Group as a privately-owned entity in formulating and implementing its long-term strategies or to pursue other business opportunities, without subjecting itself to regulatory restrictions and compliance obligations arising from being listed on the Stock Exchange and without having to focus on the short-term market reactions.

7. INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP

The Offeror intends to continue the existing business of the Group, which principally comprises operation of department stores, property development and investment in Hong Kong, upon successful implementation of the Proposal and the Scheme. The Offeror does not have any plan to make any material change to:

- (a) the existing principal businesses of the Group, including any major redeployment of the fixed assets of the Group; or
- (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

After completion of the Proposal and subject to compliance with the relevant obligations of the Company and its subsidiaries under certain existing facilities, Mr. Lau plans to diversify the business model of the Group and make new investments when opportunities arise.

8. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Scheme 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.

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If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

9. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is directly and beneficially wholly-owned by Mr. Lau. The Offeror is an investment holding company. The directors of the Offeror are Mr. Lau, a non-executive director and the chairman of the Company, and Ms. Lau Kam Shim and Mr. Lau Kam Sen, executive directors of the Company.

Mr. Lau became an executive director and the managing director of the Company in January 2004 and was retitled from managing director to chief executive officer of the Company in April 2014. He has been serving as chairman of the Company since June 2015. Since June 2016, he has been re-designated from an executive director to a non-executive director of the Company and resigned from the position as the chief executive officer of the Company in view of his role in Lifestyle China Group Limited, a company listed on the Stock Exchange (stock code: 2136), as its executive director, chairman and chief executive officer. Mr. Lau is a member of the Chinese People's Political Consultative Conference Shanghai Committee and a member of the board of directors of the Shanghai Jiao Tong University, the PRC.

10. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability and is listed on the main board of the Stock Exchange. The Group is principally engaged in the operation of department stores, property development and investment in Hong Kong.

Your attention is drawn to Appendix I headed "Financial Information Relating to the Group" and Appendix III headed "General Information" to this Scheme Document.

11. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, as soon as practicable after the Effective Date.

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Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions described in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 74 to 78 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. Please note that the timetable as set out in the section headed “Expected Timetable” in this Scheme Document is indicative and is included in this Scheme Document for information only.

It is the intention of the Offeror that the Bonds will remain listed on the Stock Exchange and be repaid at maturity in accordance with their respective terms. The Company, as the guarantor, will comply with all requirements of the Listing Rules in connection with the Bonds.

12. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Monday, 19 December 2022, it is proposed that the register of members of the Company will be closed from Monday, 12 December 2022 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that any transfers of Shares are lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. on Friday, 9 December 2022.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Monday, 19 December 2022, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Friday, 30 December 2022.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Offeror Concert Parties, the Company, DBSAC, the Independent Financial Adviser or the Share Registrar and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

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

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for 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 Monday, 19 December 2022. Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal 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 such Scheme Shareholder.

13. OVERSEAS SCHEME SHAREHOLDERS

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

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer to buy or sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of Applicable Laws.

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The making of the Proposal to, and the acceptance of the Proposal by, the Scheme Shareholders who are not resident in Hong Kong may be affected by the Applicable Laws of the relevant jurisdictions in which such Scheme Shareholders are located. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions. The Offeror and the Company expressly decline any liability for breach of any of these requirements by any persons.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from the Scheme Shareholders in such jurisdiction.

Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including DBSAC, the exclusive financial adviser to the Offeror, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, there was one Shareholder whose address as shown in the register of members of the Company was outside Hong Kong and such Shareholder held one Share. Such Shareholder was with a registered address in the British Virgin Islands.

Having made all reasonable enquiries, the directors of the Offeror and the Directors are comfortable that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to such overseas Shareholder. The Scheme will apply to and this Scheme Document will be despatched to such overseas Shareholder.

A summary of requirements applicable to Shareholder in the British Virgin Islands is set out below:

British Virgin Islands

In respect of the making of the Proposal by the Offeror and the Company in Hong Kong to, and the acceptance of the Proposal by, the Scheme Shareholders who are residents in the British Virgin Islands (“BVI Shareholders”) solely by reason that each of them is an existing shareholder or beneficial owner of shares of the Company, there are (a) no legal restrictions in the British Virgin Islands which prohibits the Proposal to be made to the BVI Shareholders and (b) no securities law or other similar laws in the British Virgin Islands to comply with in order to enable the Company to include the BVI Shareholder in the Proposal.

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Accordingly, neither the Offeror nor the Company will be subject to any legal restrictions, registration or other legal requirements or any governmental or regulatory procedures under the laws of the British Virgin Islands for extending the Proposal to the BVI Shareholder.

14. TAXATION

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 (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

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, DBSAC 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 their acceptance or rejection of the Proposal and, in particular, the receipt of the Cancellation Price.

15. COURT MEETING AND GENERAL MEETING

The Grand 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).

All Scheme Shareholders as at the Meeting Record Date may attend and vote at the Court Meeting to approve the Scheme. However, each of the Offeror, and Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court not to attend and/or vote at the Court Meeting and will procure the registered holder will not be instructed to, and will not, vote such Shares at the Court Meeting. Only the votes of the Independent Shareholders will be taken into account in determining if the Condition in paragraph (b) in the section headed “*Conditions to the Proposal*” above is satisfied.

The Offeror and each of the Offeror Concert Parties who are interested in the Scheme Shares has undertaken to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purposes of giving effect to the Scheme.

Notice of the Court Meeting is set out on pages 154 to 156 of this Scheme Document. The Court Meeting will be held on Monday, 21 November 2022 at the time and places specified in the notice.

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All Shareholders as at the Meeting Record Date will be entitled to attend the General Meeting and to vote on: (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by cancelling and extinguishing the Scheme Shares; and (b) the ordinary resolution to approve and give effect to, immediately after such share capital reduction, the issuance to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled and the application of the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares.

Notice of the General Meeting is set out on pages 157 to 159 of this Scheme Document. The General Meeting will be held at the same place and on the same date at 10:30 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned).

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

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

- (a) the Scheme is approved by the Independent Shareholders holding 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 the Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders.

As at the Latest Practicable Date, there were 353,108,708 Shares held by the Independent Shareholders and 10% of the votes attached to such Shares would be 35,310,870 votes.

17. INDICATIONS AS TO VOTING

Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of share capital and the ordinary resolution on the implementation of the Proposal.

18. BINDING EFFECT OF THE SCHEME

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

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19. COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Scheme shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and the Independent Financial Adviser, the Company and the Offeror have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Offeror (including DBSAC) will be borne by the Offeror; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal will be shared between the Company and the Offeror in equal shares.

20. ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

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 of members of the Company will be closed from Wednesday, 16 November to Monday, 21 November 2022 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), 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, the relevant forms of transfer of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 15 November 2022.

A subsequent purchaser of Scheme Shares will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the General Meeting. 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.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, 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 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 thereon, and to lodge them at the Share Registrar’s office at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

EXPLANATORY STATEMENT

The pink form of proxy for use at the Court Meeting should be lodged no later than 10:00 a.m. on Saturday, 19 November 2022, which is 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. The white form of proxy for use at the General Meeting should be lodged no later than 10:30 a.m. on Saturday, 19 November 2022, which is 48 hours before the time appointed for holding the General Meeting or any adjournment thereof failing which it will not be valid.

The completion and return of a form 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, and, in such event, the relevant form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the 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 Independent 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.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting, in accordance with Rule 19.1 of the Takeovers Code to the extent applicable, on Monday, 21 November 2022 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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.

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

EXPLANATORY STATEMENT

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, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

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.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the General Meeting in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the General Meeting, such Beneficial Owner should comply with the requirements of such Registered Owner.

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 an 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 arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to 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

21. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED 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/OR AT THE GENERAL MEETING.

IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE STRONGLY URGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING AND/OR THE GENERAL MEETING.

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

22. FURTHER INFORMATION

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

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, the Offeror Concert Parties, DBSAC, the Independent Financial Adviser and the Share Registrar and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal and the Scheme have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

EXPLANATORY STATEMENT

23. FORWARD-LOOKING STATEMENTS

This Scheme Document may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Offeror’s, the Company’s or their respective affiliates’ intentions, beliefs or current expectations. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this Scheme Document are made as of the Latest Practicable Date and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

24. LANGUAGE

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

1. FINANCIAL SUMMARY

Set out below is the financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 and the 6 months ended 30 June 2022, and as at 31 December 2019, 2020 and 2021 and 30 June 2022, as extracted from the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022:

	<i>HK\$'000</i>			
	For the year ended 31 December			For the six
	2019	2020	2021	months ended 30
	(audited)	(audited)	(audited)	June 2022
				(unaudited)
Revenue	3,542,032	1,993,024	2,289,573	927,009
Gross profit	2,653,163	1,473,637	1,674,128	670,927
(Loss)/profit before taxation	2,166,176	246,963	(1,173,144)	(379,284)
(Loss)/profit for the period attributable to owners of the Company	1,890,676	138,510	(1,305,000)	(475,428)
	As at 31 December			As at
	2019	2020	2021	30 June 2022
	(audited)	(audited)	(audited)	(unaudited)
Current assets	12,068,767	9,660,947	5,507,484	5,845,134
Non-current assets	12,432,772	16,116,829	17,475,701	17,684,430
Current liabilities	5,602,617	10,825,582	9,010,160	7,821,213
Non-current liabilities	15,057,618	11,107,070	11,318,716	13,770,596
Net assets attributable to owners of the Company	3,841,304	3,845,124	2,654,309	1,937,755

The auditor's reports issued by the auditor of the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three years ended 31 December 2021 as extracted from the annual reports of the Company for the year ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022, are as follows:

	<i>HK\$'000</i>			
	For the year ended 31 December			For the six
	2019	2020	2021	months ended 30
	(audited)	(audited)	(audited)	June 2022
				(unaudited)
Revenue	3,542,032	1,993,024	2,289,573	927,009
Cost of sales	(888,869)	(519,387)	(615,445)	(256,082)
Gross profit	2,653,163	1,473,637	1,674,128	670,927
Other income, gains and losses	147,165	218,878	128,507	(58,769)
Selling and distribution costs	(697,344)	(578,107)	(558,336)	(270,657)
Administrative expenses	(137,787)	(114,634)	(126,705)	(59,622)
Interest income and investment (losses)/gains	740,176	34,559	(1,900,119)	(455,222)
Fair value changes on investment properties	(173,959)	(418,056)	(32,025)	9,186
Finance costs	(365,238)	(369,314)	(358,594)	(215,127)
(Loss)/profit before taxation	2,166,176	246,963	(1,173,144)	(379,284)
Taxation	(275,500)	(108,453)	(131,856)	(96,144)
(Loss)/profit for the period	1,890,676	138,510	(1,305,000)	(475,428)
(Loss)/profit for the period attributable to owners of the Company	1,890,676	138,510	(1,305,000)	(475,428)
Other comprehensive income/(loss)				
<i>Item may be reclassified to profit or loss:</i>				
Exchange differences arising from translation of foreign operation	0	(1,911)	987	(2,412)
<i>Items that will not be reclassified to profit or loss:</i>				
Fair value change on financial assets at fair value through other comprehensive income	25,528	(132,779)	113,198	(238,714)
Other comprehensive income/(loss) for the period (net of tax)	25,528	(134,690)	114,185	(241,126)
Total comprehensive (loss)/income for the period	1,916,204	3,820	(1,190,815)	(716,554)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	1,916,204	3,820	(1,190,815)	(716,554)
(Losses)/earnings per share				
— Basic and diluted (HK\$)	HK\$1.26	HK\$0.09	(HK\$0.87)	(HK\$0.317)
Dividend paid to owners of the Company	1,006,284	0	0	0
Dividend per share				
— Basic and diluted (HK\$)	0.30	0.00	0.00	0.00

A fluctuation analysis of the Group's profit/(loss) attributable to owners of the Company for the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 is as follow:

For the year ended 31 December 2019

The social unrest sparked in June 2019 caused sporadic business disruptions to the retail sector and the Group throughout the rest of 2019 but tourist arrival, especially those from mainland China, was still relatively normal before the 4th quarter and as a result, the Group's revenue for the year dropped only by 18.7% to HK\$3,542 million. Notwithstanding a drop of revenue, profit attributable to owners of the Company saw an increase of 11.9% year-on-year to HK\$1,891 million as the profit was lifted by a fair value gain of HK\$404 million comparing to a fair value loss of HK\$516 million recorded in the previous year in respect of the Group's financial investment portfolio. On the other hand, the profit was weighed down by the fair value loss of HK\$174 million as compared to a fair value gain of HK\$251 million recorded in 2018 in respect of the Group's investment property under development.

For the year ended 31 December 2020

Since the outbreak of the Covid-19 pandemic in late January 2020, stringent travel restrictions have been implemented to contain the spread of the virus across the globe and the retailing market in Hong Kong, which served both the locals and tourists on an almost equal basis in the pre-Covid-19 era, has since turned into a predominately domestic market. Total revenue of the Group for the year 2020 hence dropped 43.7% to approximately HK\$1,993 million from a year earlier. The Group's profit for the year 2020 was negatively affected as a result and recorded a 92.7% drop from HK\$1,891 million recorded in 2019 to HK\$139 million. The substantial decrease in profit was mainly caused by (i) an approximately 43.7% drop in revenue; (ii) a significant drop in investment income due to a mark-to-market fair value loss of HK\$334 million as compared to a fair value gain of HK\$404 million recorded in 2019; and (iii) a higher fair value loss of HK\$418 million was recorded for the Group's investment properties as compared to HK\$174 million for 2019.

For the year ended 31 December 2021

Total revenue of the Group for the year 2021 was approximately HK\$2,290 million, an increase of approximately 14.9% from 2020, thanks to the improvement in customer foot traffic at the stores of the Group amid gradual relaxation of social distancing measures and the launch of the consumption vouchers by the Hong Kong government during the second half of the year. However, the Group recorded a significant loss of HK\$1,305 million for the year 2021 as compared with a profit of HK\$139 million for 2020. The unexpected huge amount of loss recorded was mainly caused by the significant investment loss of HK\$1,900 million being recorded, as compared to an investment income of HK\$35 million for 2020, but the loss was cushioned by a much smaller revaluation deficit of HK\$32 million for the Group's investment properties as compared to a revaluation deficit of HK\$418 million for 2020.

For the six months ended 30 June 2022

Total revenue of the Group for the six months ended 30 June 2022 decreased 12.8% to HK\$927 million as compared with the six months ended 30 June 2021 as a result of weakened consumer sentiment and fall in customer foot traffic at the stores of the Group, which was caused by the government's stringent containment measures to combat the 5th wave of the resurgent Covid-19 pandemic during the first quarter of 2022. As such, the Group turned into a loss of approximately HK\$475 million for the six months ended 30 June 2022 from a profit of approximately HK\$220 million for the six months ended 30 June 2021, mainly caused by (i) an approximately 12.8% decline in revenue; (ii) an investment loss of approximately HK\$455 million recorded on the Group's financial investments as compared to a gain of approximately HK\$88 million for the six months ended 30 June 2021; and (iii) an exchange loss of approximately HK\$130 million as compared to approximately HK\$12 million for the six months ended 30 June 2021.

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 the audited consolidated financial statements of the Group (the “Financial Statements”) for the three years ended 31 December 2019, 2020 and 2021 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The Financial Statements for the year ended 31 December 2019 together with the notes to the relevant published financial statements are set out on pages 82 to 170 of the annual report of the Company for the year ended 31 December 2019 (the “2019 Annual Report”) published on 9 March 2020. The 2019 Annual Report is posted on the Company’s website www.lifestylehk.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032601068.pdf>

The Financial Statements for the year ended 31 December 2020 together with the notes to the relevant published financial statements are set out on pages 87 to 166 of the annual report of the Company for the year ended 31 December 2020 (the “2020 Annual Report”) published on 2 March 2021. The 2020 Annual Report is posted on the Company’s website www.lifestylehk.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0330/2021033000804.pdf>

The Financial Statements for the year ended 31 December 2021 together with the notes to the relevant published financial statements are set out on pages 90 to 170 of the annual report of the Company for the year ended 31 December 2021 (the “2021 Annual Report”) published on 4 March 2022. The 2021 Annual Report is posted on the Company’s website www.lifestylehk.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801314.pdf>

The unaudited financial statements for the six months ended 30 June 2022 together with the notes to the relevant published financial statements are set out on pages 22 to 48 of the interim report of the Company for the six months ended 30 June 2022 (the “2022 Interim Report”) published on 28 July 2022. The 2022 Interim Report is posted on the Company’s website www.lifestylehk.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the 2022 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600149.pdf>

The Financial Statements for the years ended 31 December 2019, 2020 and 2021 and the unaudited financial statements for the six months ended 30 June 2022 (but not any other part of the 2019 Annual Report, 2020 Annual Report, 2021 Annual report and 2022 Interim Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2022, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Scheme Document, the Group in aggregate had outstanding bank borrowings, bonds and lease liabilities amounting to approximately HK\$19,533.2 million which comprised:

	<i>HK\$million</i>
(a) Bank borrowings — secured and guaranteed	10,075.74
(b) Bank borrowings — secured and unguaranteed	364.99
(c) Bonds — unsecured and guaranteed	8,997.32
(d) Lease liabilities	95.15

The Group's secured and guaranteed bank borrowings of approximately HK\$10,075.74 million were secured by (i) certain leasehold land and buildings in Hong Kong of the Group, (ii) entire Kai Tak Project, comprising the construction in progress and investment property under development, (iii) investment property in United Kingdom and (iv) shares of certain subsidiaries of the Group. The Group's secured and unguaranteed bank borrowings of approximately HK\$364.99 million were secured by certain of the Group's investments of approximately HK\$461.02 million.

The Group's unsecured and guaranteed bonds of approximately HK\$8,997.32 million (or US\$1,150.4 million at maturity), comprise (i) a US\$300 million 5-year bond (bearing interest at 4.875% per annum and maturing in July 2024), (ii) a US\$200.4 million 10-year bond (bearing interest at 4.25% per annum and maturing in October 2022), (iii) a US\$300 million 10-year bond (bearing interest at 4.5% per annum and maturing in June 2025) and (iv) US\$350 million 5-year bond (bearing interest at 4.8% per annum and maturing in June 2026).

Save as aforesaid and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitment, guarantees or material contingent liabilities at the close of business on 31 July 2022.

3. UNAUDITED ADJUSTED NET ASSET VALUE OF THE COMPANY

The total appraised value of the properties attributable to the Company as at 31 July 2022 as set out in Appendix II amounted to approximately HK\$32,746.1 million.

The table below shows the calculations of the Company's Unaudited Adjusted NAV, after taking into account the market valuation of the properties attributable to the Company as at 31 July 2022 as set out in Appendix II, and related tax effects and other adjustments as appropriate:

	<i>HK\$ million</i>
Unaudited NAV of the Group attributable to owners of the Company as at 30 June 2022	1,937.8
<i>Add: Revaluation surplus of the properties of the Group</i> ^(Note 1)	16,745.0
<i>Less: Deferred tax on revaluation surplus</i> ^(Note 2)	<u>(2,762.9)</u>
Unaudited adjusted NAV	15,919.9
Unaudited adjusted NAV per Share ^(Note 3)	<u><u>HK\$10.60</u></u>

Note:

1. The revaluation surplus is calculated based on the difference between (i) the total market value of the Properties attributable to the Company as at 31 July 2022 of approximately HK\$32,746.1 million and (ii) the unaudited book value of the Properties attributable to the Company as at 30 June 2022 of approximately HK\$15,816.0 million plus the costs of approximately HK\$179.8 million incurred and capitalised in July in relation to the Kai Tak project plus the exchange differences of approximately HK\$5.2 million arising from translation of the market value of the UK Properties.
2. It represents the deferred tax on temporary differences between the market values of the property interests and the corresponding tax base used in computation of taxable profit, including deferred tax for investment property in Hong Kong, which carrying amount is presumed to be recovered entirely through use, rather than sale. Since all the revaluation surplus is attributed to properties in Hong Kong, the Hong Kong profits tax of 16.5% is applied.
3. It is calculated based on 1,501,916,000 Shares in issue as at 30 June 2022.

4. MATERIAL CHANGE

The Directors confirm that save as and except for the below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (1) as disclosed in the interim report of the Company for the six months ended 30 June 2022, the Group recorded a net loss of approximately HK\$475.4 million for the period as compared to a profit of approximately HK\$220.0 million for the six months ended 30 June 2021, caused mainly by (i) the retailing environment in Hong Kong and the department store business of the Group being hard hit by the 5th wave of the Covid-19 pandemic during the first quarter of 2022; (ii) the further fair value loss on the Group's financial investments for the six months ended 30 June 2022; and (iii) the exchange losses on the GBP denominated assets and US\$ denominated liabilities, as a result of the weakening GBP and HK\$ against the US\$; and
- (2) subsequent to 30 June 2022, the financial market continued to be volatile with global equities mostly trending downwards, the GBP remaining in a trend of depreciation and the Hong Kong Interbank Offered Rate ("HIBOR"), to which the Group's HK\$ bank facilities are referenced, following the trajectory of the US rate hike.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the value of property interests of the Group in Hong Kong and the United Kingdom as at 31 July 2022.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

27 October 2022

The Directors
Lifestyle International Holdings Limited
20/F, East Point Centre
555 Hennessy Road
Causeway Bay
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Lifestyle International Holdings Limited (the “Company”) and/or its subsidiaries (together the “Group”) for us to value the properties held by the Group which are located in Hong Kong and the United Kingdom (the “UK”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the properties as at 31 July 2022 (the “Valuation Date”). As advised by the Company, the Group has no properties outside Hong Kong and the UK.

BASIS OF VALUATION

Our valuation of each property represents its market value which in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of The Hong Kong Limited, Rule 11 of The Code on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

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

METHOD OF VALUATION

We have generally valued the properties by market approach assuming sale of the properties in their existing state and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property no. 11, which is held under development, we have valued the property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. In arriving at our opinion of value, we have valued the property as if completed by market approach by making reference to comparable transactions as available in the relevant market and have also taken into account the estimated total construction costs for the proposed development as well as the costs that have been expended and to be expended on the development works in arriving at the market value of the property.

In valuing the property no. 12, which is held for investment, we have valued the property by income approach where we arrive at the valuation by capitalising the rental income derived from the existing tenancy with due provision for any reversionary income potential, or wherever appropriate, by market approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market.

POTENTIAL TAX LIABILITIES

As advised by the Group, the potential tax liabilities which would arise on the direct disposal of the property interests held by the Group at the amounts valued by us mainly comprise the following:

Hong Kong properties

- Profits tax at 16.5% on gain (minus any profit which is capital in nature)
- Stamp duty at a minimum of HKD100, progressive rates from 1.5% to 8.5%, or a flat rate of 15% on the transaction amount (of which both the seller and the buyer are jointly and severally liable)

UK property

- Corporation tax at 19% on gain

In respect of the properties held by the Group for owner-occupation, development and investment, the likelihood of the relevant tax liability being crystallised is remote as the Group has no existing plans for the disposal of such properties.

MARKET UNCERTAINTY

The outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

SOURCE OF INFORMATION

We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupancy, rental incomes, development schemes, development time schedules, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have caused searches to be made at the Land Registry in Hong Kong regarding properties in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. For the property in the UK, we have relied on the advice given by the Group regarding the interest of the Group in the property.

SITE INSPECTION

The site inspections of the properties in Hong Kong were carried out in August 2022 by Ms. Angelina Kwok (MRICS, MHKIS, RPS(GP)) and Ms. Nicola Leung (Probationer of HKIS) of our Hong Kong office. The site inspection of the property in the UK was carried out in October 2021 by Mr. Elliot Fletcher (MRICS, RICS Registered Valuer) of our London office. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Moreover, we have not carried out any soil investigation to determine the suitability of the soil conditions and the services etc. for any future development. Regarding the property which is under development, our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Hong Kong Dollars (“HKD”) or in Pound Sterling (“GBP”), the official currency of the Hong Kong and the UK, in relation to the properties in the Hong Kong and the UK respectively. For the purpose of illustration only, conversion of GBP into HKD in the summary of valuations and our valuation report is based on the exchange rate of GBP1 to HKD9.54 (which was the average rate quoted by Hang Seng Bank as of 31 July 2022). Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 11 of The Code on Takeovers and Mergers published by the Securities and Futures Commission.

We enclose herewith summary of valuations and valuation reports for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K. B. Wong

MRICS, FHKIS, RPS(GP)

Executive Director

Valuation & Advisory Services, Hong Kong

Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 35 years' of experience in the valuation of properties in Hong Kong, the PRC, other Asian and European countries.

The valuation of the property in the UK was undertaken by Mr. K. B. Wong in collaboration with Mr. John Bareham of our London Office. Mr. John Bareham is an International Partner of our London Office. He is a member of The Royal Institution of Chartered Surveyors with more than 30 years' experience in property valuation in the UK.

SUMMARY OF VALUATIONS

**Market value in
existing state as at
31 July 2022**

Property**Group I — Properties held by the Group for owner-occupation in Hong Kong**

- | | | |
|----|--|-------------------|
| 1. | <p>Second Basement (Part), First Basement (Part), Ground Floor (Part) (Department Store), Ground Floor (Part) (Bank Premises), Ground Floor (Part) (Ground Floor Shop), First Floor (Part), Second Floor (Part), Third Floor (Part), Fourth Floor (including the Flat Roof), 5th Floor, 6th Floor, 7th Floor, Lift Machine Room on 8th Floor, Lift Shaft Space on 8th Floor, 9th Floor, Lift Machine Room on 10th Floor, 10th Floor (excluding the lift machine room), 22nd Floor, Main Roof and Upper Roof and Other (to include plant floor and security room and areas not yet included in any other areas relating to 9999/10000th undivided shares of the building), East Point Centre (also known as Old Wing), No. 555 Hennessy Road (premises formerly known as Nos. 545–563 Hennessy Road, Nos. 542–552 Lockhart Road and Nos. 1–3 East Point Road), Causeway Bay, Hong Kong.</p> <p>Second Basement Level, First Basement Level, Ground Floor Level, 1st Floor Level, 2nd Floor Level & The canopy on the 2nd Floor Level, 3rd Floor Level, 4th Floor Level & The Flat Roof on 4th Floor Level, 5th Floor Level & The Flat Roof over staircase No. 6 on 5th Floor Level, 6th Floor Level, 7th Floor Level & Part of 8th Floor Level, 9th Floor Level & The Flat Roof on 9th Floor Level, 10th Floor Level, 11th Floor Level & The Flat Roof and the Balcony on the 11th Floor Level, 12th Floor Level, 13th Floor Level, 14th Floor Level (excluding the Flat Roof) & The Flat Roof on 14th Floor Level, 15th Floor Level, 16th Floor Level, 17th Floor Level, 18th Floor Level, 19th Floor Level, 20th Floor Level, 21st Floor Level, 22nd Floor Level & The Roof Areas, First Owner's Areas and Facilities (Service Lift No. 1 and the Escalators, Escalator Pits and all the facilities, fittings and fixtures relating thereto) and The External Walls (New Wing), East Point Centre (New Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.</p> | HKD16,389,000,000 |
| 2. | <p>Unit 1204 on 12th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.</p> | HKD34,600,000 |
| 3. | <p>Unit 1205 on 12th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.</p> | HKD45,200,000 |

Property	Market value in existing state as at 31 July 2022
4. 15th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.	HKD244,000,000
5. Units 2001 and 2002 on 20th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.	HKD250,000,000
6. Factories on Ground, 1st and 2nd Floors and Lorry Parking Space No. L4 on Ground Floor, Yau Lee Centre, No. 45 Hoi Yuen Road, Kwun Tong, Kowloon.	HKD268,000,000
7. Flat B on 17th Floor and Car Parking Space No.2 on 3rd Floor, Grand Deco Tower, No. 26 Tai Hang Road, Tai Hang, Hong Kong.	HKD22,000,000
8. 1st Floor, No. 522 Lockhart Road, Causeway Bay, Hong Kong.	HKD12,400,000
9. 2nd Floor, No. 504 Lockhart Road, Causeway Bay, Hong Kong.	HKD11,100,000
10. 3rd Floor, No. 516 Lockhart Road, Causeway Bay, Hong Kong.	HKD9,900,000
Group II — Property held by the Group under development in Hong Kong	
11. New Kowloon Inland Lot No. 6557, Kai Tak Area 1E Site 2, Kai Tak, Kowloon.	HKD12,989,000,000
Sub total of Groups I & II in HKD:	HKD30,275,200,000
Group III — Property held by the Group for investment in the UK	
12. 1 St James's Square, London, United Kingdom SW1 4PD	GBP259,000,000 (equivalent to approximately <u>HKD2,470,860,000</u>)
Sub total of Group III in GBP:	GBP259,000,000 (equivalent to approximately <u>HKD2,470,860,000</u>)
Grand Total of Groups I, II & III in HKD	<u>HKD32,746,060,000</u>

VALUATION REPORT

Group I — Properties held by the Group for owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
1. Second Basement (Part), First Basement (Part), Ground Floor (Part) (Department Store), Ground Floor (Part) (Bank Premises), Ground Floor (Part) (Ground Floor Shop), First Floor (Part), Second Floor (Part), Third Floor (Part), Fourth Floor (including the Flat Roof), 5th Floor, 6th Floor, 7th Floor, Lift Machine Room on 8th Floor, Lift Shaft Space on 8th Floor, 9th Floor, Lift Machine Room on 10th Floor, 10th Floor (excluding the lift machine room), 22nd Floor, Main Roof and Upper Roof and Other (to include plant floor and security room and areas not yet included in any other areas relating to 9999/10000th undivided shares of the building), East Point Centre (also known as Old Wing), No. 555 Hennessy Road (premises formerly known as Nos. 545–563 Hennessy Road, Nos. 542–552 Lockhart Road and Nos. 1–3 East Point Road), Causeway Bay, Hong Kong.	East Point Centre comprises two adjoining 23-storey plus three basement floors commercial buildings. The two buildings, namely Old Wing and New Wing were completed in 1985 (Occupation Permit No. H94/85 (MTR) issued on 12 August 1985) and 1993 (Occupation Permit No. H119/93 (MTR) issued on 15th October, 1993) respectively. The Old Wing of the development accommodates general retail space on 2nd Basement to 7th Floors and 9th to 10th Floors, mechanical plant room on 8th Floor, office areas on 11th to 21st Floors and restaurant space on 22nd Floor. The New Wing of the development accommodates car parking spaces on 3rd Basement, retail spaces on 2nd Basement Level to 7th Floors, 9th to 10th Floors, mechanical plant room on 8th Floor and office areas on 11th to 22nd Floors. The 2nd Basement level to 10th Floors of the two buildings are interconnected and are currently occupied by the Hong Kong Sogo Department Store. Construction of the building is of reinforced concrete with curtain external elevations.	The property is occupied by the Group as department store and office.	HKD16,389,000,000 (HONG KONG DOLLARS SIXTEEN BILLION THREE HUNDRED AND EIGHTY NINE MILLION)
	The subject property comprises the retail areas from 2nd Basement to 10th Floors and 22nd Floor of the Old Wing; the retail areas from 2nd Basement to 10th Floors, the office areas from 11th to 22nd Floors of the New Wing of the development with a total gross floor area of approximately 453,078 sq.ft. (42,092 sq.m.).		

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
<p>1. Second Basement Level, First Basement Level, Ground Floor Level, 1st Floor Level, 2nd Floor Level & The canopy on the 2nd Floor Level, 3rd Floor Level, 4th Floor Level & The Flat Roof on 4th Floor Level, 5th Floor Level & The Flat Roof over staircase No. 6 on 5th Floor Level, 6th Floor Level, 7th Floor Level & Part of 8th Floor Level, 9th Floor Level & The Flat Roof on 9th Floor Level, 10th Floor Level, 11th Floor Level & The Flat Roof and the Balcony on the 11th Floor Level, 12th Floor Level, 13th Floor Level, 14th Floor Level (excluding the Flat Roof) & The Flat Roof on 14th Floor Level, 15th Floor Level, 16th Floor Level, 17th Floor Level, 18th Floor Level, 19th Floor Level, 20th Floor Level, 21st Floor Level, 22nd Floor Level & The Roof Areas, First Owner's Areas and Facilities (Service Lift No. 1 and the Escalators, Escalator Pits and all the facilities, fittings and fixtures relating thereto) and The External Walls (New Wing), East Point Centre (New Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.</p>	<p>The property is held from the Conditions of Grant No. UB11736, the Government and the Conditions of Exchange No. 12234 (<i>see Note 3</i>).</p>	—	—
<p>Inland Lot No. 8583, Section A of Sub-section 1 of Section A of Inland Lot No. 470, the Remaining Portion of Section B of Sub-section 1 of Section A of Inland Lot No. 470, the Remaining Portion of Sub-section 1 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 2 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 5 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 6 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 7 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 8 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 17 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 22 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Sub-section 23 of Section D and the Extension of Marine Lot No. 52, the Remaining Portion of Section A of Sub-section 23 of Section D and the Extension of Marine Lot No. 52, Inland Lot No. 8816.</p>			

Notes:

(1) The registered owners of the subject property are shown as follows:

Property	Registered Owner*
Main Roof and Upper Roof and Other (to include plant floor and security room and areas not yet included in any other areas relating to 9999/10000th undivided shares of the building) (Old Wing)	Congenial Company Limited
10th Floor (excluding Lift machine room) (Old Wing)	Everwin Worldwide Limited
Ground Floor (Part) (Bank Premises) (Old Wing)	Public Might Limited
Second Basement (Part), First Basement (Part), Ground Floor (Part) (Department Store), Ground Floor (Part) (Ground Floor Shop), First Floor (Part), Second Floor (Part), Third Floor (Part), Fourth Floor (including the Flat Roof), 5th Floor, 6th Floor, 7th Floor, Lift Machine Room on 8th Floor, Lift Shaft Space on 8th Floor, 9th Floor, Lift Machine Room on 10th Floor, 22nd Floor (Old Wing)	Congenial Company Limited
Second Basement Level, First Basement Level, Ground Floor Level, 1st Floor Level, 2nd Floor Level & The canopy on the 2nd Floor Level, 3rd Floor Level, 4th Floor Level & The Flat Roof on 4th Floor Level, 5th Floor Level & The Flat Roof over staircase No. 6 on 5th Floor Level, 6th Floor Level, 7th Floor Level & Part of 8th Floor Level, 9th Floor Level & The Flat Roof on 9th Floor Level, 10th Floor Level, 11th Floor Level & The Flat Roof and the Balcony on the 11th Floor Level, 12th Floor Level, 13th Floor Level, 14th Floor Level (excluding the Flat Roof) & The Flat Roof on 14th Floor Level, 15th Floor Level, 21st Floor Level, 22nd Floor Level, First Owner's Areas and Facilities (Service Lift No. 1 and the Escalators, Escalator Pits and all the facilities, fittings and fixtures relating thereto) and The External Walls (New Wing)	Eastlord Development Limited
16th Floor Level, 17th Floor Level, 18th Floor Level, 19th Floor Level, 20th Floor Level (New Wing)	Eastlord Development Limited
The Roof Areas (New Wing)	Public Might Limited

* *All the registered owners are wholly owned subsidiaries of the Company*

- (2) Except Ground Floor (Part) (Bank Premises), 10th Floor, Other (to include plant floor and security room and areas not yet included in any other areas relating to 9999/10000th undivided shares of the building) and main roof and upper roof, the following encumbrances are registered against the Old Wing of the property:

Old Wing

- Memorial No. UB2760669 dated 12 March 1985 refers to a Deed of Dedication with plan in favour of Government of Hong Kong.
- Memorial No. UB2782352 dated 29 May 1985 refers to an Undertaking by Fuji Bank Limited (Hong Kong Branch) in favour of The Registrar General (Land Officer) and Sogo Hong Kong Company Limited.
- Memorial No. UB2782353 dated 27 May 1985 refers to an Undertaking by Congenial Company Limited in favour of The Government of Hong Kong (Re: 9900/10000th Shares of I.L. No. 8583).
- Memorial No. UB2782946 dated 29 May 1985 refers to an Agreement for Sale and Purchase with Plan in favour of Sogo Hong Kong Company Limited.
- Memorial No. UB2791886 dated 31 May 1985 refers to a Receipt (Re: in pursuance to Agreement for S/P Memorial No. UB2782946).
- Memorial No. UB2937289 dated 1 December 1985 refers to a Deed of Mutual Covenant with Plans in favour of Congenial Company Limited.
- Memorial No. UB3114670 dated 8 July 1986 refers to a Supplemental Agreement to Sale Agreement Memorial No.2782946 in favour of Sogo Hong Kong Company Limited.
- Memorial No. UB5249794 dated 31 March 1992 refers to an Assignment Agreement of Memorial Nos. UB2800732, UB3071548 & UB3114669 in favour of Takugin Leasing Company Limited (Re: by Esco Leasing Co. Ltd (one of the vendors) the consideration is ¥2040904185).
- Memorial No. UB5733573 dated 30 June 1993 refers to a Purchase Agreement and Assignment Agreement in favour of Takugin Leasing Company Limited by Esco Leasing Co. Ltd.
- Memorial No. UB8363889 dated 25 October 1985 refers to a Plain Copy Certificate of Compliance regarding I.L. No. 8583 from District Lands Office to Fred Kan & Co.
- Memorial No. 19090502420017 dated 2 August 2019 refers to an Offensive Trade Licence from District Lands Officer, Hong Kong East.
- Memorial No. 21080502570126 dated 15 July 2021 refers to a Sogo HK Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)) by Sogo Hong Kong Company Limited.

The following encumbrances are registered against the Ground Floor (Part) (Bank Premises) of the Old Wing:

- Memorial No. UB2760669 dated 12 March 1985 refers to a Deed of Dedication with Plan in favour of Government of Hong Kong.
- Memorial No. UB2782353 dated 27 May 1985 refers to an Undertaking by Congenial Company Limited in favour of The Government of Hong Kong (Re: 9900/10000th shares of I.L. No. 8583).

- Memorial No. UB2937289 dated 1 December 1985 refers to a Deed of Mutual Covenant with Plans in favour of Congenial Company Limited.
- Memorial No. UB8363889 dated 25 October 1985 refers to a Plain Copy Certificate of Compliance regarding I.L. No. 8583 from District Lands Office to Fred Kan & Co.
- Memorial No. 19090502420026 dated 2 August 2019 refers to an Offensive Trade Licence from District Lands Officer, Hong Kong East.
- Memorial No. 21080502570102 dated 15 July 2021 refers to a Public Right Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)).

The following encumbrances are registered against 10th Floor (excluding lift machine room) of the Old Wing of the property:

- Memorial No. UB2760669 dated 12 March 1985 refers to a Deed of Dedication with Plan in favour of Government of Hong Kong.
- Memorial No. UB2782353 dated 27 May 1985 refers to an Undertaking by Congenial Company Limited in favour of The Government of Hong Kong (Re: 9900/10000th shares of I.L. No. 8583).
- Memorial No. UB2937289 dated 1 December 1985 refers to a Deed of Mutual Covenant with Plans in favour of Congenial Company Limited.
- Memorial No. UB8363889 dated 25 October 1985 refers to a Plain Copy Certificate of Compliance (Re: I.L. No. 8583 from District Lands Office to Fred Kan & Co.).
- Memorial No. 19090502420034 dated 2 August 2019 refers to an Offensive Trade Licence from District Lands Officer, Hong Kong East.
- Memorial No. 20110900320015 dated 29 October 2020 refers to a Statutory Declaration of Wong Kei Nga Angela as to the Loss of Title Deeds.
- Memorial No. 21080502570069 dated 15 July 2021 refers to an Everwin Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)).

The following encumbrances are registered against the Other (to include plant floor and security room and areas not yet included in any other areas relating to 9999/10000th undivided shares of the building) and Main roof and upper roof of the Old Wing:

- Memorial No. UB2760669 dated 12 March 1985 refers to a Deed of Dedication with Plan in favour of Government of Hong Kong.
- Memorial No. UB2782353 dated 27 May 1985 refers to an Undertaking by Congenial Company Limited in favour of The Government of Hong Kong. (Re: 9900/10000th shares of I.L. No. 8583).
- Memorial No. UB2937289 dated 1 December 1985 refers to a Deed of Mutual Covenant with Plans in favour of Congenial Company Limited.
- Memorial No. UB8363889 dated 25 October 1985 refers to a Plain Copy Certificate of Compliance (Re: I.L. No. 8583 from District Lands Office to Fred Kan & Co.).

- Memorial No. 19090502420059 dated 2 August 2019 refers to an Offensive Trade Licence from District Lands Officer, Hong Kong East.
- Memorial No. 21080502570027 dated 15 July 2021 refers to a Congenial Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)).

New Wing

The following encumbrances are registered against Basement 2 to 15th, 21st and 22nd Floor Levels, external walls and First Owner's Areas and Facilities of the New Wing of the property:

- Memorial No. UB5590950 dated 1 March 1993 refers to a Deed of Dedication with Plan in favour of The Government of Hong Kong (Re: Part).
- Memorial No. UB5596165 dated 1 March 1993 refers to a Memorandum with Certified Copy of Car Park Layout Plan Annexed.
- Memorial No. UB6692636 dated 15 March 1994 refers to a Certified Copy of Certificate of Compliance from Director of Lands.
- Memorial No. UB8361562 dated 12 April 2001 refers to a Modification Letter.
- Memorial No. UB8382010 dated 9 May 2001 refers to an Undertaking.
- Memorial No. UB8391610 dated 9 May 2001 refers to a Deed Poll.
- Memorial No. UB8391612 dated 9 May 2001 refers to a Deed of Mutual Covenant and Management Agreement with Plans in favour of Ronson Kwok Asia Pacific Limited 'Manager'.
- Memorial No. 21080502570046 dated 15 July 2021 refers to an Eastlord Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)).

The following encumbrances are registered against 16th, 17th, 18th, 19th, and 20th Floor Levels of the New Wing of the property:

- Memorial No. UB5590950 dated 1 March 1993 refers to a Deed of Dedication with Plan in favour of The Government of Hong Kong (Re: Part).
- Memorial No. UB6539688 dated 15 January 1996 refers to a Waiver Letter from Legal Advisory and Conveyancing Office Lands Department (Re: 16th, 17th, 18th, 19th & 20th Floors of 3250/22650th shares).
- Memorial No. UB6539689 dated 31 January 1996 refers to an Undertaking by Eastlord Development Limited in favour of The Government of Hong Kong and Director of Lands (Re: 16th, 17th, 18th, 19th & 20th Floors of 3250/22650th shares).
- Memorial No. UB6539690 dated 31 January 1996 refers to an Undertaking by Overseas Union Bank Limited in favour of The Government of Hong Kong and Director of Lands (Re: 16th, 17th, 18th, 19th & 20th Floors of 3250/22650th shares).
- Memorial No. UB6539691 dated 31 January 1996 refers to an Undertaking by Pacific Trump Development Limited in favour of The Government of Hong Kong and Director of Lands. (Re: 16th, 17th, 18th, 19th & 20th Floors of 3250/22650th shares).

- Memorial No. UB6539692 dated 31 January 1996 refers to an Agreement for Sale and Purchase with Plans in favour of Pacific Trump Development Limited for a consideration of part of HKD300,000,000 (Re: 3250/22650th shares).
- Memorial No. UB6692636 dated 15 March 1994 refers to a Certified Copy of Certificate of Compliance from Director of Lands.
- Memorial No. UB7192784 dated 7 July 1997 refers to an Undertaking by Dao Heng Bank Limited in favour of The Government of Hong Kong and the Director of Lands (Re: 16th, 17th, 18th, 19th & 20th Floors of 3250/22650th shares).
- Memorial No. UB7194007 dated 7 July 1997 refers to an Addendum No. 1 to Agreement for Sale and Purchase dated 31 January 1996 in favour of Pacific Trump Development Limited (Re: 3250/22650th shares).
- Memorial No. UB8361562 dated 12 April 2001 refers to a Modification Letter.
- Memorial No. UB8382010 dated 9 May 2001 refers to an Undertaking.
- Memorial No. UB8391610 dated 9 May 2001 refers to a Deed Poll.
- Memorial No. UB8391612 dated 9 May 2001 refers to a Deed of Mutual Covenant and Management Agreement with Plans in favour of Ronson Kwok Asia Pacific Limited ‘Manager’.
- Memorial No. 21080502570086 dated 15 July 2021 refers to a Pacific Trump Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)) by Pacific Trump Development Limited.

The following encumbrances are registered against the roof areas of the New Wing of the property:

- Memorial No. UB5590950 dated 1 March 1993 refers to a Deed of Dedication with Plan in favour of The Government of Hong Kong (Re: Part).
- Memorial No. UB5596165 dated 1 March 1993 refers to a Memorandum with Certified Copy of Car Park Layout Plan Annexed.
- Memorial No. UB6692636 dated 15 March 1994 refers to a Certified Copy of Certificate of Compliance from Director of Lands.
- Memorial No. UB8361562 dated 12 April 2001 refers to a Modification Letter.
- Memorial No. UB8382010 dated 9 May 2001 refers to an Undertaking.
- Memorial No. UB8391610 dated 9 May 2001 refers to a Deed Poll.
- Memorial No. UB8391612 dated 9 May 2001 refers to a Deed of Mutual Covenant and Management Agreement with Plans in favour of Ronson Kwok Asia Pacific Limited ‘Manager’.
- Memorial No. 21080502570102 dated 15 July 2021 refers to a Public Might Mortgage in favour of Bank of China (Hong Kong) Limited (Security Trustee (as Security Trustee for the benefit of the finance parties)).

(3) The property is held from the Government as to comprise the followings:

Old Wing

Lot No.	Held Under	Lease Term	Government Rent HKD per annum
I.L. No. 8583	Conditions of Grant No. UB11736	75 years from 17.05.1984 and renewable for a further term of 75 years	1,000
I.L. No. 470 s.A.ss.1 s.A	Government Lease	999 years from 24.12.1865	2
I.L. No. 470 s.A ss.1 s.B. R.P.	Government Lease	999 years from 24.12.1865	20
M.L. No. 52 s.D ss.1 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.2 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	2
M.L. No. 52 s.D ss.5 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.6 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.7 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.8 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.17 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.22 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	8
M.L. No. 52 s.D ss.23 R.P. and the Ext.	Government Lease	999 years from 25.06.1843	6
M.L. No. 52 s.D ss.23 s.A R.P. and the Ext.	Government Lease	999 years from 25.06.1843	226 (for the whole of M.L. No. 52)

New Wing

I.L. No. 8816	Conditions of Exchange No. 12234	Lease due to expire on 30.06.2047	An amount equal to 3% of the rateable value for the time being of the property per annum
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(4) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for “Commercial (1)” purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
2. Unit 1204 on 12th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.	The property comprises one of eight office units on 12th floor in the old wing of two adjoining 23-storey plus 3 basement floors commercial buildings completed in 1985 (Old Wing) and 1993 (New Wing).	The property is occupied by the Group as office.	HKD34,600,000 (HONG KONG DOLLARS THIRTY FOUR MILLION AND SIX HUNDRED THOUSAND)
29/10000th shares of and in Inland Lot No. 8583, Section A and the Remaining Portion of Section B of Sub-section 1 of Section A of Inland Lot No. 470, the Remaining Portion of Sub-section 1, the Remaining Portion of Sub-section 2, the Remaining Portion of Sub-section 5, the Remaining Portion of Sub-section 6, the Remaining Portion of Sub-section 7, the Remaining Portion of Sub-section 8, the Remaining Portion of Sub-section 17, the Remaining Portion of Sub-section 22, the Remaining Portion and the Remaining Portion of Section A of Sub-section 23 of Section D of Marine Lot No. 52 and the Extension thereto.	The property has a gross floor area of approximately 1,664 sq.ft. (154.60 sq.m.). The property is held from the Government for three major terms (i) 75 years from 17 May 1984 and renewable for a further term of 75 years, (ii) 999 years from 24 December 1865, (iii) 999 years from 25 June 1843. The current Government rent payable for the lots is HKD1,074 per annum.		

Notes:

- (1) The registered owner of the property is Public Might Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter vide Memorial No. UB5671581 dated 27 May 1993.
- (3) The property is subject to an Offensive Trade Licence from District Lands Officer, Hong Kong East vide Memorial No. 19090401080019 dated 2 August 2019.
- (4) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for "Commercial (1)" purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
<p>3. Unit 1205 on 12th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.</p> <p>38/10000th shares of and in Inland Lot No. 8583, Section A and the Remaining Portion of Section B of Sub-section 1 of Section A of Inland Lot No. 470, the Remaining Portion of Sub-section 1, the Remaining Portion of Sub-section 2, the Remaining Portion of Sub-section 5, the Remaining Portion of Sub-section 6, the Remaining Portion of Sub-section 7, the Remaining Portion of Sub-section 8, the Remaining Portion of Sub-section 17, the Remaining Portion of Sub-section 22, the Remaining Portion and the Remaining Portion of Section A of Sub-section 23 of Section D of Marine Lot No. 52 and the Extension thereto.</p>	<p>The property comprises unit 1205 on 12th floor in the old wing of two adjoining 23-storey plus 3 basement floors commercial buildings completed in 1985 (Old Wing) and 1993 (New Wing).</p> <p>The property has a gross floor area of approximately 2,174 sq.ft. (202.00 sq.m.).</p> <p>The property is held from the Government for three major terms (i) 75 years from 17 May 1984 and renewable for a further term of 75 years, (ii) 999 years from 24 December 1865, (iii) 999 years from 25 June 1843. The current Government rent payable for the lots is HKD1,074 per annum.</p>	<p>The property is occupied by the Group as office.</p>	<p>HKD45,200,000 (HONG KONG DOLLARS FORTY FIVE MILLION AND TWO HUNDRED THOUSAND)</p>

Notes:

- (1) The registered owner of the property is Nicesky Ventures Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter vide Memorial No. UB5671581 dated 27 May 1993.
- (3) The property is subject to an Offensive Trade Licence from District Lands Officer, Hong Kong East vide Memorial No. 20061801520013 dated 28 May 2020.
- (4) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for “Commercial (1)” purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
<p>4. 15th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.</p> <p>215/10000th shares of and in Inland Lot No. 8583, Section A and the Remaining Portion of Section B of Sub-section 1 of Section A of Inland Lot No. 470, the Remaining Portion of Sub-section 1, the Remaining Portion of Sub-section 2, the Remaining Portion of Sub-section 5, the Remaining Portion of Sub-section 6, the Remaining Portion of Sub-section 7, the Remaining Portion of Sub-section 8, the Remaining Portion of Sub-section 17, the Remaining Portion of Sub-section 22, the Remaining Portion and the Remaining Portion of Section A of Sub-section 23 of Section D of Marine Lot No. 52 and the Extension thereto.</p>	<p>The property comprises whole of 15th floor in the old wing of two adjoining 23-storey plus 3 basement floors commercial buildings completed in 1985 (Old Wing) and 1993 (New Wing).</p> <p>The property has a gross floor area of approximately 11,953 sq.ft. (1,110.50 sq.m.).</p> <p>The property is held from the Government for three major terms (i) 75 years from 17 May 1984 and renewable for a further term of 75 years, (ii) 999 years from 24 December 1865, (iii) 999 years from 25 June 1843. The current Government rent payable for the lots is HKD1,074 per annum.</p>	<p>The property is occupied by the Group as office.</p>	<p>HKD244,000,000 (HONG KONG DOLLARS TWO HUNDRED AND FORTY FOUR MILLION)</p>

Notes:

- (1) The registered owner of the property is Superlite Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter vide Memorial No. UB5671581 dated 27 May 1993.
- (3) The property is subject to an Offensive Trade Licence from District Lands Officer, Hong Kong East vide Memorial No. 19092500810097 dated 29 August 2019.
- (4) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for “Commercial (1)” purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
5. Units 2001 and 2002 on 20th Floor, East Point Centre (Old Wing), No. 555 Hennessy Road, Causeway Bay, Hong Kong.	The property comprises the whole of 20th floor in the old wing of two adjoining 23-storey plus 3 basement floors commercial buildings completed in 1985 (Old Wing) and 1993 (New Wing).	The property is occupied by the Group as office.	HKD250,000,000 (HONG KONG DOLLARS TWO HUNDRED AND FIFTY MILLION)
220/10000th shares of and in Inland Lot No. 8583, Section A and the Remaining Portion of Section B of Sub-section 1 of Section A of Inland Lot No. 470, the Remaining Portion of Sub-section 1, the Remaining Portion of Sub-section 2, the Remaining Portion of Sub-section 5, the Remaining Portion of Sub-section 6, the Remaining Portion of Sub-section 7, the Remaining Portion of Sub-section 8, the Remaining Portion of Sub-section 17, the Remaining Portion of Sub-section 22, the Remaining Portion and the Remaining Portion of Section A of Sub-section 23 of Section D of Marine Lot No. 52 and the Extension thereto.	The property has a total gross floor area of approximately 11,953 sq.ft. (1,110.50 sq.m.). The property is held from the Government for three major terms (i) 75 years from 17 May 1984 and renewable for a further term of 75 years, (ii) 999 years from 24 December 1865, (iii) 999 years from 25 June 1843. The current Government rent payable for the lots is HKD1,074 per annum.		

Notes:

- (1) The registered owner of the property is Grand Kinetic Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter vide Memorial No. UB5671581 dated 27 May 1993.
- (3) The property is subject to an Offensive Trade Licence from District Lands Officer, Hong Kong East vide Memorial No. 19090401080027 dated 2 August 2019.
- (4) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for "Commercial (1)" purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
6. Factories on Ground, 1st and 2nd Floors and Lorry Parking Space No. L4 on Ground Floor, Yau Lee Centre, No. 45 Hoi Yuen Road, Kwun Tong, Kowloon.	The property comprises three factories units on the ground, first and second floors and a lorry parking space on the ground floor of a 15-storey industrial building completed in 1978.	The property is occupied by the Group as warehouse and lorry parking space.	HKD268,000,000 (HONG KONG DOLLARS TWO HUNDRED AND SIXTY EIGHT MILLION)
2202/9995th shares of and in Kun Tong Inland Lot No. 12 (Kun Tong Inland Lot is written as per the Government Lease).	The total gross floor area of the property is 46,220 sq.ft. (4,293.94 sq.m.), excluding the lorry parking space.	The property is held from the Government under a Government Lease for a term of 21 years from 1 July 1955 renewed for a further term of 21 years less the last three days. The lease was statutorily extended for 50 years to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	

Notes:

- (1) The registered owner of the property is Sogo Hong Kong Company Limited, which is a wholly owned subsidiary of the Company.
- (2) The property falls within Kowloon Planning Area No. 14 (part) and is zoned under Kwun Tong (South) Outline Zoning Plan No. S/K14S/24 dated 15 March 2022 for “Other Specified Uses (Business)” purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
7. Flat B on 17th Floor and Car Parking Space No.2 on 3rd Floor, Grand Deco Tower, No. 26 Tai Hang Road, Tai Hang, Hong Kong. 22/1417th shares of and in Inland Lot No. 8838.	<p>Grand Deco Tower is a 29-storey residential tower erected upon a 12-storey car parking/recreational podium, swimming pool, gymnasium, sauna room, badminton court, squash court and playground are provided within the subject building which was completed in 1999.</p> <p>The property comprises a residential unit on the 17th floor and a carparking space on the 3rd floor.</p> <p>The gross floor area and saleable area of the property are 1,415 sq.ft. (131.46 sq.m.) and 1,084 sq.ft. (100.71 sq.m.) respectively, excluding the carparking space.</p> <p>The property is held from the Government under Conditions of Exchange No. 12283 for a term from 4 December 1993 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is occupied by the Group as staff quarters and car parking space.	HKD22,000,000 (HONG KONG DOLLARS TWENTY TWO MILLION)

Notes:

- (1) The registered owner of the property is Sogo Hong Kong Company Limited, which is a wholly owned subsidiary of the Company.
- (2) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for “Residential (Group B)” purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
8. 1st Floor, No. 522 Lockhart Road, Causeway Bay, Hong Kong.	The property comprises a residential unit on 1st floor of a 5-storey tenement/composite building completed in 1954.	The property is occupied by the Group for storage purpose.	HKD12,400,000 (HONG KONG DOLLARS TWELVE MILLION AND FOUR HUNDRED THOUSAND)
1/5th share of and in the Remaining Portion of Section F of Sub-section 28 of Section D of Marine Lot No. 52 and the Extension thereto.	The property has a saleable area of approximately 670 sq.ft. (62.24 sq.m.). The property is held from the Government under a Government Lease for a term of 999 years from 25 June 1843. The current Government rent payable for the lot is HKD6 per annum.		

Notes:

- (1) The registered owner of the property is Forceworld Investments Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Notice No. UMB/BAMB01/1801-003/0001 under Section 30B(3) of the Buildings Ordinance issued by the Building Authority vide Memorial No. 19122400750258 dated 4 November 2019.
- (3) The property is subject to a Notice No. UMW/BAMB01/1801-003/0001 under Section 30C(3) of the Buildings Ordinance issued by the Building Authority vide Memorial No. 19122400750261 dated 4 November 2019.
- (4) In the course of our valuation, we have disregarded any reinstatement costs for compliance of the abovesaid notices and not taken into account the costs of the remedial/preventive works required by the abovesaid notices.
- (5) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for "Commercial (1)" purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
9. 2nd Floor, No. 504 Lockhart Road, Causeway Bay, Hong Kong.	The property comprises a residential unit on 2nd floor of a 5-storey tenement/composite building completed in 1953.	The property is occupied by the Group for storage purpose.	HKD11,100,000 (HONG KONG DOLLARS ELEVEN MILLION AND ONE HUNDRED THOUSAND)
1/5th share of and in the Remaining Portion of Section A of Sub-section 9 of Section A of Inland Lot No. 2836.	The property has a saleable area of approximately 670 sq.ft. (62.24 sq.m.).	The property is held form the Government under a Government Lease for a term of 99 years from 30 September 1929 renewable for a further term of 99 years. The current Government rent payable for I.L. 2836 is HKD2,270 per annum.	

Notes:

- (1) The registered owner of the property is Forceworld Investments Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Notice No. UMW/5OF101/1701-327/0001 under Section 30C(3) of the Buildings Ordinance issued by the Building Authority vide Memorial No. 18111301980376 dated 19 June 2018. In the course of our valuation, we have disregarded any reinstatement costs for compliance of the abovesaid notice and not taken into account the costs of the remedial/preventive works required by the abovesaid notice.
- (3) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for “Commercial (1)” purposes.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
10. 3rd Floor, No. 516 Lockhart Road, Causeway Bay, Hong Kong.	The property comprises a residential unit on 3rd floor of a 5-storey tenement/composite building completed in 1954.	The property is occupied by the Group for storage purpose.	HKD9,900,000 (HONG KONG DOLLARS NINE MILLION AND NINE HUNDRED THOUSAND)
1/5th share of and in the Remaining Portion of Section E of Sub-section 28 of Section D of Marine Lot No. 52 and the Extension thereto.	The property has a saleable area of approximately 617 sq.ft. (57.32 sq.m.). The property is held form the Government under a Government Lease for a term of 999 years from 25 June 1843. The current Government rent payable for the lot is HKD6 per annum.		

Notes:

- (1) The registered owner of the property is Forceworld Investments Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to an Order No. DBZ/U09/0003/01 under Section 26 of the Buildings Ordinance issued by the Building Authority vide Memorial No. UB8868291 dated 11 December 2002 (Re: For External Areas and Common Areas).
- (3) The property is subject to an Order No. DRZ/U09/0004/01 under Section 28(3) of the Buildings Ordinance issued by the Building Authority vide Memorial No. UB8868292 dated 11 December 2002 (Re: For Common Drains only).
- (4) The property is subject to a Notice No. UMB/5OF101/1701-332/0001 under Section 30B(3) of the Buildings Ordinance issued by the Building Authority vide Memorial No. 19011401210042 dated 19 June 2018.
- (5) The property is subject to a Notice No. UMW/5OF101/1701-332/0001 under Section 30C(3) of the Buildings Ordinance issued by the Building Authority vide Memorial No. 19011401210055 dated 19 June 2018.
- (6) In the course of our valuation, we have disregarded any reinstatement costs for compliance of the abovesaid orders and notices and not taken into account the costs of the remedial/preventive works required by the abovesaid orders and notices.
- (7) The property falls within Hong Kong Planning Area No. 6 and is zoned under Causeway Bay Outline Zoning Plan No. S/H6/17 dated 8 January 2019 for “Commercial (1)” purposes.

Group II — Property held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
11. New Kowloon Inland Lot No. 6557, Kai Tak Area 1E Site 2, Kai Tak, Kowloon.	<p>The property comprises a site separated into two portions with a registered site area of approximately 14,159 sq.m. (152,407.5 sq.ft.).</p> <p>According to the information provided by the owner, the property will be developed into two blocks of 22-storey commercial buildings with 4 levels of basements having a total gross floor area of approximately 101,944 sq.m. (1,097,325 sq.ft.), with 50,978 sq.m. (548,727 sq.ft.) for Tower A and 50,966 sq.m. (548,598 sq.ft. for Tower B. The estimated completion dates are January 2023 for Tower A and March 2023 for Tower B.</p> <p>The property is held from the Government under Condition of Sale No. 20285 for a term of 50 years from 22 December 2016. The Government rent payable for the property is 3% of the rateable value from time to time of the lot.</p>	The property is under construction with superstructure works in progress.	HKD12,989,000,000 (HONG KONG DOLLARS TWELVE BILLION NINE HUNDRED AND EIGHTY NINE MILLION)

Notes:

- (1) The registered owner of the property is Leader Bright Limited, which is a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and Mortgage in favour of Bank of China (Hong Kong) Limited vide Memorial No. 22071502370126 dated 4 July 2022.
- (3) The property falls within the “Commercial (6)” zone of the draft Kai Tak Outline Zoning Plan No. S/K22/7 dated 10 December 2021 of Kowloon Planning Area No. 22.
- (4) As advised by the owner of the property, the construction cost expended up to 31 July 2022 is about HKD3,169,000,000 and the total estimated construction cost is about HKD5,829,000,000. We have taken into accounts such amounts in our valuation.
- (5) The estimated Gross Development Value of the proposed development as a whole assuming that it were fully completed in accordance with the said proposed development scheme as at 31 July 2022, is in the sum of HKD18,057,000,000.

Group III — Property held by the Group for investment in UK

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2022
12. 1 St James's Square, London, United Kingdom SW1 4PD.	<p>The building, constructed in 1998, comprises 103,655 sq.ft. of Grade A office accommodation.</p> <p>The property comprises a corner positioned building of masonry construction arranged over nine floors including a lower ground and basement level, providing office accommodation throughout.</p> <p>The property is located on the east side of St James's Square at the junction with Charles II Street. Piccadilly Circus Underground Station is in close proximity to the north and London Charing Cross Railway Station is a short distance to the east.</p> <p>The property is held under a freehold title.</p>	<p>The property is subject to a lease to BP International Limited for a term of 3.5 years expiring in May 2024 at a rent of GBP11,210,000 per annum.</p>	<p>GBP259,000,000 (POUND STERLING TWO HUNDRED AND FIFTY NINE MILLION) (equivalent to approximately HKD2,470,860,000)</p>

Notes:

- (1) The registered owner of the property is Super Expert Investments Limited, which is a wholly owned subsidiary of the Company.
- (2) The property's current planning use is offices under the B1 Use Class.

1. RESPONSIBILITY STATEMENT

The Board comprises Mr. Lau Kam Sen and Ms. Lau Kam Shim as executive directors; Mr. Lau, Mr. Doo Wai Hoi, William and Ms. Lau Yuk Wai, Amy as non-executive directors; and Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung as independent non-executive directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the directors of the Offeror in their capacity as 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 statements in this Scheme Document misleading.

The directors of the Offeror are Mr. Lau, Ms. Lau Kam Shim and Mr. Lau Kam Sen.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information 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 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 statements in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$20,000,000 divided into 4,000,000,000 Shares; and
- (b) the issued and paid-up share capital of the Company comprised 1,501,916,000 Shares.

All of the Shares in issue rank *pari passu* in all respects including as to capital, dividends and voting.

No Shares had been issued by the Company since 31 December 2021 (being the end of the last financial year of the Company); and the Company does not have any outstanding options, warrants or conversion rights affecting Shares in the Company.

3. MARKET PRICES

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date and (iii) at the end of each month during the Relevant Period:

Date	Closing Price per Share HK\$
24 October 2022, being the Latest Practicable Date	4.540
4 August 2022, being the Last Trading Date	3.080
At the end of each calendar month during the Relevant Period:	
28 February 2022	4.540
31 March 2022	3.790
29 April 2022	3.820
31 May 2022	3.270
30 June 2022	3.180
29 July 2022	2.700
31 August 2022	4.600
30 September 2022	4.540

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$4.63 per Share as quoted on the Stock Exchange on 8 and 10 August 2022 and the lowest closing price of the Shares was HK\$2.62 per Share as quoted on the Stock Exchange on 27 August 2022.
- (c) The Cancellation Price of HK\$5.00 per Scheme Shares represents:
- (i) a premium of approximately 10.13% over the closing price of HK\$4.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (ii) a premium of approximately 62.34% over the closing price of HK\$3.080 per Share as quoted on the Stock Exchange on the Last Trading Date;
 - (iii) a premium of approximately 75.93% over the average closing price of approximately HK\$2.842 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
 - (iv) a premium of approximately 81.88% over the average closing price of approximately HK\$2.749 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
 - (v) a premium of approximately 70.11% over the average closing price of approximately HK\$2.939 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;

- (vi) a premium of approximately 58.66% over the average closing price of approximately HK\$3.151 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (vii) a premium of approximately 48.08% over the average closing price of approximately HK\$3.376 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (viii) a premium of approximately 38.72% over the average closing price of approximately HK\$3.604 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (ix) a premium of approximately 30.01% over the average closing price of approximately HK\$3.846 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (x) a premium of approximately 182.92% over the consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.767 as at 31 December 2021, based on the audited consolidated net asset value and total number of issued Shares at 31 December 2021;
- (xi) a premium of approximately 287.54% over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.290 as at 30 June 2022;
- (xii) a discount of approximately 52.83% to the Unaudited Adjusted NAV per Share of approximately HK\$10.60 as at 30 June 2022.

4. DISCLOSURE OF INTERESTS IN THE SHARES

Interests of Directors in the Shares

As at the Latest Practicable Date, the interests and positions of the Directors of the Company in the Shares, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules; or (d) to be disclosed in accordance with the Takeovers Code, are set out below:

(1) Long positions in the Shares of the Company

Name of director	Capacity/ Nature of interest	Number of Shares held	Percentage of issued Shares
Mr. Lau	Beneficial owner	113,403,292	7.55%
	Interest of controlled corporations (<i>Note 1</i>)	1,011,694,500	67.36%
	A trustee of the Trust (<i>Note 2</i>)	951,000	0.06%
Mr. Lau Kam Sen	A beneficiary of the Trust (<i>Note 2</i>)	951,000	0.06%
Ms. Lau Kam Shim	A beneficiary of the Trust (<i>Note 2</i>)	951,000	0.06%
Ms. Lau Yuk Wai, Amy	A beneficiary and a trustee of the Trust (<i>Note 2</i>)	951,000	0.06%

Notes:

1. The 1,011,694,500 Shares comprise:
 - (i) 540,000,000 Shares held by United Goal, which is ultimately owned as to 80% by Mr. Lau through his controlled corporations and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the same parcel of shares in which United Goal is interested.
 - (ii) 471,694,500 Shares held by Dynamic Castle, which is wholly owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the same parcel of shares held by Dynamic Castle.

2. These Shares are held by the Trust in which certain family members of Mr. Lau have interest. Mr. Lau and Ms. Lau Yuk Wai, Amy are two of the trustees of the Trust and each of Mr. Lau Kam Sen, Ms. Lau Kam Shim and Ms. Lau Yuk Wai, Amy is a beneficiary under the Trust, and therefore each of them is deemed to be interested in such Shares by virtue of the SFO.

(2) Interest in debentures of associated corporations of the Company

(a) LS Finance (2017) Limited — 4.80% guaranteed bonds due 2026

Name of director	Capacity/ Nature of interest	Amount of debentures held (US\$)
Mr. Doo Wai Hoi, William	Interest of spouse	11,500,000
Mr. Ip Yuk Keung	Interest held jointly with spouse	200,000

(b) LS Finance (2017) Limited — 4.875% guaranteed bonds due 2024

Name of director	Capacity/ Nature of interest	Amount of debentures held (US\$)
Mr. Ip Yuk Keung	Interest held jointly with spouse	200,000

(c) LS Finance (2025) Limited — 4.50% guaranteed bonds due 2025

Name of director	Capacity/ Nature of interest	Amount of debentures held (US\$)
Mr. Lau	Beneficial owner	4,000,000
Mr. Ip Yuk Keung	Interest held jointly with spouse	500,000

(3) Interests of Shareholders Discloseable under the SFO

As at the Latest Practicable Date, the following persons (other than a director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or notified to the Company:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of issued Shares
United Goal	Beneficial owner (<i>Note 3</i>)	540,000,000	35.95%
Asia Prime Assets Limited (“Asia Prime”)	Interest of controlled corporation (<i>Notes 1 and 3</i>)	540,000,000	35.95%
Sand Cove Holdings Limited (“Sand Cove”)	Interest of controlled corporation (<i>Notes 2 and 3</i>)	540,000,000	35.95%
Dynamic Castle	Beneficial owner (<i>Note 3</i>)	471,694,500	31.41%

Notes:

1. Asia Prime, a company indirectly controlled by Mr. Lau, holds 80% of the entire issued share capital of United Goal. By virtue of the SFO, Asia Prime is deemed to be interested in the same parcel of shares comprising 540,000,000 shares in which United Goal is interested as beneficial owner.
2. Sand Cove, which is wholly owned and directly controlled by Mr. Lau, is entitled to exercise or control the exercise of 100% voting power at general meetings of Asia Prime. By virtue of the SFO, Sand Cove is deemed to be interested in the same parcel of shares in which Asia Prime is deemed to be interested as set out in Note 1 above.
3. Mr. Lau, Mr. Lau Kam Sen and Ms. Lau Kam Shim are directors of United Goal and Sand Cove. Mr. Lau is also the sole director of Asia Prime and Dynamic Castle.

Interests of the Offeror in the Shares

Save as disclosed below, as at the Latest Practicable Date, none of (a) the Offeror, (b) directors of the Offeror and (c) the Offeror Concert Parties was interested within meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

Name of Shareholder	Number of Shares	Approximate % of the issued Shares
(A) Offeror ^{(Note (1))}	—	—
(B) Offeror Concert Parties		
Not Subject to the Scheme		
Mr. Lau	113,403,292	7.55
Mr. Lau's SPV Entities ^{(Note (2))}	1,011,694,500	67.36
(C) Offeror Concert Parties		
Subject to the Scheme ^{(Note (3))}		
The Trust ^{(Note (4))}	951,000	0.06
Ms. Lau ^{(Note (5))}	20,408,000	1.36
Ms. Lau's SPV Entity ^{(Note (5))}	1,600,000	0.11
Ms. Chan ^{(Note (6))}	<u>750,500</u>	<u>0.05</u>
Total for (A) + (B) + (C)	<u>1,148,807,292</u>	<u>76.49</u>

Note (1): The Offeror is wholly-owned by Mr. Lau. Upon the Scheme becoming effective, the share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be restored to its former amount by the allotment and issuance to the Offeror, credited as fully paid, of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

Note (2): These shares are held as to 471,694,500 Shares (representing approximately 31.41% of the issued Shares) by Dynamic Castle, which is wholly-owned by Mr. Lau and 540,000,000 Shares (representing approximately 35.95% of the issued Shares) by United Goal, which is ultimately owned as to 80% by Mr. Lau and 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.

Note (3): DBSAC is the financial adviser of the Offeror. Accordingly, DBSAC and the relevant member of the DBS Group which hold the Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of "acting in concert" in the Takeovers Code. Exempt principal traders which are connected for the sole reason that they are under the same control as DBSAC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the DBS Group acting in the capacity of exempt principal traders shall not be voted at the Court

Meeting and the General Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code unless the Executive allows such Shares to be so voted. Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the General Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions shall originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader). For this purpose, where applicable, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Proposal will be submitted to the Executive before the date of the Court Meeting. In the event that no such written confirmation is submitted to the Executive and no consent has been obtained from the Executive before the Court Meeting, the Shares held by members of the DBS Group acting in the capacity of exempt principal traders will not be voted at the Court Meeting.

As at the Latest Practicable Date, DBSAC and the relevant members of the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) did not have any interests in the Shares.

Note (4): These Shares are held by a trust for an estate in which certain family members of Mr. Lau have interest. Mr. Lau and Ms. Lau Yuk Wai, Amy are two of the trustees of the trust and each of Mr. Lau Kam Sen, Ms. Lau Kam Shim and Ms. Lau Yuk Wai, Amy is a beneficiary under the Trust.

Note (5): Ms. Lau is a younger sister of Mr. Lau.

Note (6): Ms. Chan is the spouse of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau.

Note (7): Scheme Shares shall include any Shares held by Independent Shareholders, the DBS Group, the Trust, Ms. Lau and Ms. Lau's SPV Entity, Ms. Chan and exclude all Shares held by the Offeror and Offeror Concert Parties Not Subject to the Scheme.

See the section headed "*Shareholding Structure of the Company and Effect of the Proposal and the Scheme*" in the Explanatory Statement on pages 80 to 83 of this Scheme Document for further details.

Other interests in the Shares

As at the Latest Practicable Date:

- (a) neither the Offeror nor any Offeror Concert Party had received any irrevocable commitment to vote for or against the Proposal;
- (b) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any Offeror Concert Party;

- (c) none of the Offeror or any Offeror Concert Party had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (d) 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 the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code 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;
- (e) 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;
- (f) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis; and
- (g) neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

5. DEALINGS IN THE SHARES

- (a) During the Relevant Period:
 - (i) no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
 - (ii) none of the Offeror, the directors of the Offeror or any Offeror Concert Party had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
 - (iii) 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 Offeror Concert Party had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

- (b) During the offer period (up to the Latest Practicable Date):
- (i) 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 the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code 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) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
 - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or 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; and
 - (iii) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN THE OFFEROR SHARES

As at the Latest Practicable Date, save as disclosed in the section headed “*Information on the Offeror*” in the Explanatory Statement on page 87 of this Scheme Document, none of the Company and the Directors was interested in any of the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

7. DEALINGS IN OFFEROR’S SHARES

During the Relevant Period, neither the Company nor any of the 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.

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) save for the Proposal and the Scheme, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the Offeror Shares which might be material to the Proposal or the Scheme;

- (b) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (c) there were no agreements, arrangements or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposal;
- (d) there was no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal or the Scheme;
- (e) there was no understanding, arrangement or agreement which constitutes a “special deal” (under Rule 25 of the Takeovers Code) between: (i) any Shareholder and (ii) either (A) the Offeror or any Offeror Concert Party; or (B) the Company or any of its subsidiaries or associated companies (each as defined in the Takeovers Code); and
- (f) save for the Cancellation Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any Offeror Concert Party to the Scheme Shareholders in connection with the Proposal or the Scheme.

9. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) no arrangement was in place for any benefit (other than statutory compensation required under appropriate laws) to be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

10. DIRECTORS' SERVICE CONTRACTS

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 Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

11. 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.

12. MATERIAL CONTRACTS

Save as set out below, there was no material contract entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the offer period up to and including the Latest Practicable Date, 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.

- (a) the conditional investment agreement dated 13 August 2020 entered into among CEG Holdings (BVI) Limited (as vendor), China Evergrande Group, Mangrove 3, Ltd. and Treasure Pitcher Limited (as purchaser, a wholly-owned subsidiary of the Company) in respect of the acquisition of 59,704 ordinary shares of US\$0.0001 in the share capital of Mangrove 3, Ltd. at a consideration of HK\$500,000,000 and its side letter dated 28 September 2020. Further details of the conditional investment agreement are set out in the announcement of the Company dated 14 August 2020;
- (b) an agreement entered into between Super Expert Investments Limited (as purchaser, an indirect wholly-owned subsidiary of the Company), and BP International Limited (as vendor) in respect of the purchase of the land and building known as 1, 1A and 2 St. James's Square and 2 to 6 Charles II Street, London registered at the Land Registry with freehold absolute title under title number NGL448775 at the consideration of GBP250.1 million on 20 November 2020;
- (c) a memorandum setting out the subscription agreement dated 28 April 2021 entered into between Knight Prosper Limited (as subscriber, a wholly-owned subsidiary of the Company) and Kaisa Group Holdings Ltd. (as issuer) in respect of the subscription of the US\$ denominated 11.7% senior notes due 2025 issued by Kaisa Group Holdings Ltd. in the principal amount of US\$80,000,000 by Knight Prosper Limited; and
- (d) a subscription agreement dated 22 June 2021 entered into between Knight Prosper Limited (as subscriber, a wholly-owned subsidiary of the Company) and Trillion Glory Limited (as issuer) and other investors in respect of the subscription of the US\$ denominated 9.5% senior secured notes due 2022 issued by Trillion Glory Limited in the principal amount of US\$60,000,000 by Knight Prosper Limited.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Scheme Document:

Name	Qualification
DBSAC	a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Proposal
Anglo Chinese	a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, which has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal
Cushman & Wakefield Limited	an independent property valuer

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

14. MISCELLANEOUS

- (a) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Hong Kong correspondence address of the Offeror is at 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong.
- (b) The registered office of DBSAC is at 73/F, The Center, 99 Queen's Road Central, Hong Kong.
- (c) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong.

- (d) The Hong Kong correspondence address of Mr. Lau and Mr. Lau's SPV Entities is at 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong. The directors of United Goal are Mr. Lau, Mr. Lau Kam Sen, Ms. Lau Kam Shim, Ms. Chan and Ms. Lam Po Wan, Ivy and the sole director of Dynamic Castle is Mr. Lau.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the Company's principal place of business in Hong Kong, 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time); (2) on the website of the Company at www.lifestylehk.com.hk; and (3) on the website of the SFC at www.sfc.hk:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the interim report of the Company for the six months ended 30 June 2022;
- (d) the annual reports of the Company for each of the year ended 31 December 2019, 31 December 2020 and 31 December 2021;
- (e) the letter from the Board, the text of which is set out on pages 17 to 32 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 33 to 34 of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 35 to 70 of this Scheme Document;
- (h) the valuation certificates and report from Cushman & Wakefield Limited, the text of which are set out in Appendix II to this Scheme Document;
- (i) the written consents referred to in the section headed "*Experts and Consents*" in Appendix III to this Scheme Document;
- (j) the material contracts referred to in the section headed "*Material Contracts*" in this Appendix (in respect of item (c), no written contract was entered and a memorandum will be displayed and in respect of item (d), certain information relating to the issue of the notes and the other investors is redacted); and
- (k) this Scheme Document.

SCHEME OF ARRANGEMENT

**IN THE COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION
CAUSE NO: FSD 189 OF 2022 (CRJ)**

**IN THE MATTER OF
LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
利福國際集團有限公司
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES ACT (2022 REVISION)**

**SCHEME OF ARRANGEMENT
between
LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
利福國際集團有限公司
and
THE SCHEME SHAREHOLDERS
(as hereinafter defined)**

PRELIMINARY

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

“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business;
“Cancellation Price”	the cancellation price of HK\$5.00 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme;
“Cayman Companies Act”	the Companies Act (2022 Revision) of the Cayman Islands, as consolidated and revised from time to time;
“Company”	Lifestyle International Holdings Limited 利福國際集團有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1212);
“Conditions”	the conditions to the Proposal as set out in the section headed “Terms of the Proposal — Conditions of the Proposal” in the Explanatory Statement of this Scheme Document;

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“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon;
“DBSAC”	DBS Asia Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Proposal;
“DBS Group”	DBS Group Holdings Limited and its subsidiaries from time to time, including but not limited to DBSAC;
“Directors”	the directors of the Company;
“Dynamic Castle”	Dynamic Castle Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Lau;
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Cayman Companies Act;
“Executive”	the Executive Director of the Corporate Finance Division of SFC or any delegate of the Executive Director;
“Grand Court”	the Grand Court of the Cayman Islands;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent board committee of the Directors comprising Mr. Doo Wai Hoi, William, a non-executive Director of the Company and Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung, all being the Independent Non-executive Directors of the Company;
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties;
“Long Stop Date”	means 3 February 2023 or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the Grand Court may direct;

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“Mr. Lau”	Mr. Lau Luen Hung, Thomas, a non-executive Director and the Chairman of the Company and the ultimate beneficial owner of the Offeror;
“Mr. Lau’s SPV Entities”	United Goal and Dynamic Castle;
“Ms. Chan”	Ms. Chan Hoi Wan, the spouse of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau;
“Ms. Lau”	Ms. Lau Yuk Chun, Mary, a younger sister of Mr. Lau;
“Ms. Lau’s SPV Entity”	Chaker Investment Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Ms. Lau;
“Offeror”	Emerald Energy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Lau;
“Offeror Concert Parties”	persons acting, or presumed to be acting, in concert with the Offeror (including but not limited to the Offeror Concert Parties Subject to the Scheme and the Offeror Concert Parties Not Subject to the Scheme);
“Offeror Concert Parties Not Subject to the Scheme”	Mr. Lau and Mr. Lau’s SPV Entities;
“Offeror Concert Parties Subject to the Scheme”	Ms. Lau, Ms. Lau’s SPV Entity, the Trust, Ms. Chan and the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code);
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the withdrawal of listing of the Shares from the Stock Exchange;
“Registrar of Companies”	the Registrar of Companies appointed under the Cayman Companies Act;
“Scheme”	the scheme of arrangement proposed under section 86 of the Cayman Companies Act between the Company and the Scheme Shareholders for the implementation of the Proposal;

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“Scheme Document”	the composite scheme document issued by the Offeror and the Company on 27 October 2022;
“Scheme Record Date”	19 December 2022, or such other time and date as shall have been announced to Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme;
“Scheme Shareholders”	registered holders of the Scheme Shares;
“Scheme Shares”	the Shares in issue on the Scheme Record Date other than those held by the Offeror and Offeror Concert Parties Not Subject to the Scheme;
“Shareholders”	holders of the Shares;
“Shares”	the ordinary shares with nominal value of HK\$0.005 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
the “Trust”	a trust for an estate in which certain family members of Mr. Lau have an interest. Mr. Lau and Ms. Lau Yuk Wai, Amy, a non-executive director of the Company, are two of the trustees of such trust and each of Mr. Lau Kam Sen and Ms. Lau Kam Shim (being children of Mr. Lau and executive directors of the Company) and Ms. Lau Yuk Wai, Amy (being an elder sister of Mr. Lau), is a beneficiary of such trust;
“United Goal”	United Goal Resources Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately owned as to 80% by Mr. Lau through his controlled corporations and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau; and

- (B) The Company was incorporated in the Cayman Islands on 29 December 2003 under the provisions of the Companies Act as an exempted company with limited liability.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 4,000,000,000 shares of a single class with a par value of HK\$0.005 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$7,509,580 divided into 1,501,916,000 Shares, with the remainder being unissued. The issued shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 2004.

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- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares, which will be cancelled and extinguished in consideration of the Cancellation Price. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be restored to its former amount prior to the cancellation and extinguishment of the Scheme Shares by the new issuance to the Offeror at par, credited as fully paid, the same number of New Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) As at the Latest Practicable Date, the Offeror does not hold any Shares. The Offeror Concert Parties Not Subject to the Scheme hold 1,125,097,792 Shares, representing approximately 74.91% of the total number of issued Shares.
- (G) As at the Latest Practicable Date, the (i) 23,709,500 Share held by the Offeror Concert Parties Subject to the Scheme and (ii) 353,108,708 Shares held by the Independent Shareholders altogether representing approximately 25.09% of the total number of issued Shares, constitute the Scheme Shares.
- (H) As at the Latest Practicable Date, DBSAC and the relevant members of the DBS Group (excluding members of the DBS Group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary clients of the DBS Group) who are presumed to be acting in concert with the Offeror did not have any interests in the Shares.
- (I) Each of the Scheme Shareholders who is an Offeror Concert Party interested in the Scheme Shares will abstain from voting at the Court Meeting and has provided an undertaking to the Court to be bound by the Scheme.
- (J) The Offeror has undertaken to the Court to be bound by the Scheme, and will 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 or done by it for the purpose of giving effect to this Scheme.

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THE SCHEME

PART I

Cancellation of the Scheme Shares

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

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to the holders of the Scheme Shares, the Cancellation Price for each Scheme Share cancelled.

PART III

General

3. (a) As soon as possible and not later than seven (7) Business Days after the Effective Date, the Offeror shall send or cause to be sent to Scheme Shareholders cheques in respect of the Cancellation Price payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme.
- (b) Unless otherwise indicated in writing to the branch share registrar of in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, all such cheques payable to the Scheme Shareholders shall be sent by ordinary post in pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the Register at the Scheme Record Date or, in the case of joint

SCHEME OF ARRANGEMENT

holders, at the address as appearing on the Register 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) Cheques shall be posted at the risk of the addressee and none of the Offeror, the Company or DBSAC 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 the despatch of the same.
- (d) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six (6) calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand any cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiration of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.
- (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- (h) Upon cancellation of the Scheme Shares, the register of members of the Company shall be updated to reflect such cancellation.

SCHEME OF ARRANGEMENT

4. Each instrument of transfer and certificate existing at the Scheme Record Date in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Offeror to deliver up the same to the Offeror for the cancellation thereof.
5. All mandates or relevant instructions to the Company in force at the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.
6. This Scheme shall become effective as soon as a copy of the order of the Court sanctioning this Scheme under Section 86 of the Companies Act is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act.
7. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
8. The Company and the Offeror may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.
9. All costs, charges and expenses of the advisers and counsels appointed by the Company will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme will be shared between the Company and the Offeror equally.

27 October 2022

NOTICE OF COURT MEETING

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

CAUSE NO. FSD 189 OF 2022 (CRJ)

IN THE MATTER OF SECTIONS 15 AND 86
OF THE COMPANIES ACT (2022 REVISION)

AND

IN THE MATTER OF THE GRAND
COURT RULES 1995 ORDER 102

AND

IN THE MATTER OF
**LIFESTYLE INTERNATIONAL
HOLDINGS LIMITED**
利福國際集團有限公司

**NOTICE OF
COURT MEETING**

NOTICE IS HEREBY GIVEN that, by an order dated 19 October 2022 (the “Order”) made in the above matter, the Grand Court of the Cayman Islands (the “Court”) has directed a meeting (the “Court Meeting”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “Scheme of Arrangement”) proposed to be made between Lifestyle International Holdings Limited 利福國際集團有限公司 (the “Company”) and the Scheme Shareholders and that the Court Meeting will be held on Monday, 21 November 2022 at 10:00 a.m. Hong Kong time at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong (the “Court Meeting Venue”) at which place and time all Scheme Shareholders are requested to attend.

The articles of association of the Company do not contain specific provisions that allow shareholders of the Company to attend and vote at shareholders’ meetings (including the Court Meeting) virtually. Accordingly, the Court Meeting will be held solely as a physical meeting. Scheme Shareholders unable to physically attend the Court Meeting may appoint a proxy by submitting the relevant form(s) of proxy (as further detailed below).

NOTICE OF COURT MEETING

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control the spread of COVID-19, the Company will implement the following precautionary measures at the Court Meeting to safeguard the health and safety of the attending Shareholders:

- (i) Compulsory body temperature checks will be conducted for every attendee at the entrance of the Court Meeting venue.
- (ii) All attendees are required to scan the “LeaveHomeSafe” venue QR code and comply with the requirements of the “Vaccine Pass Direction” upon entering the Court Meeting venue.
- (iii) Attendees must wear surgical face masks inside the Court Meeting venue at all times.
- (iv) No refreshments will be served, and no corporate gifts will be distributed.

To the extent permitted under law, the Company reserves the right to deny entry into the Court Meeting venue or require any person to leave the Court Meeting venue in order to ensure the safety of the attendees at the Court Meeting. Shareholders and/or their representatives who are denied entry to the venue of the Court Meeting will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineer (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 pandemic from time to time).

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

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 27 October 2022 despatched to members of the Company on 27 October 2022.

In the case of joint holders of a share, any one of such joint holders may vote, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding.

NOTICE OF COURT MEETING

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 10:00 a.m. on Saturday, 19 November 2022, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting (who will have absolute discretion on whether or not to accept it).

The completion and return of a form of proxy for the Court Meeting will not preclude the Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Wednesday, 16 November 2022 to Monday, 21 November 2022 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, the relevant forms of transfer of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 15 November 2022. A subsequent purchaser of Scheme Shares will need to obtain a form of proxy from the transferor if he/she/it wishes to attend or vote at the Court Meeting.

By the Order, the Court has appointed Mr. Lam Siu Lun, Simon or, failing him, Mr. Hui Chiu Chung, who is an independent non-executive Director of the Company, failing whom, any other director of the Company (not being a person considered to be acting in concert with the Offeror under the Takeovers Code) at the date of the Order, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

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

By Order of the Court
Lifestyle International Holdings Limited
利福國際集團有限公司

Dated 27 October 2022

Registered Office

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

***Principal Place of Business
in Hong Kong***

20th Floor, East Point Centre
555 Hennessy Road
Causeway Bay, Hong Kong

NOTICE OF GENERAL MEETING



LIFESTYLE INTERNATIONAL HOLDINGS LIMITED

利福國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1212)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lifestyle International Holdings Limited (the “Company”) will be held at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Monday, 21 November 2022 at 10:30 a.m. for the following purposes:

- (1) To consider and, if thought fit, pass with or without amendments the following as a special resolution:

“THAT:

- (a) pursuant to a scheme of arrangement dated 27 October 2022 (the “Scheme of Arrangement”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorized to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

NOTICE OF GENERAL MEETING

- (2) To consider and, if thought fit, pass with or without amendments the following as an ordinary resolution:

“**THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of shares of HK\$0.005 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled;
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorized to allot and issue the same accordingly; and
- (c) any one of the directors of the Company be and is hereby authorized to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.”

By order of the Board
Lifestyle International Holdings Limited
Poon Fuk Chuen
Company Secretary

Hong Kong, 27 October 2022

Notes:

1. The register of members of the Company will be closed from Wednesday, 16 November 2022 to Monday, 21 November 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the extraordinary general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 November 2022.
2. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.

NOTICE OF GENERAL MEETING

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
4. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The English text of this notice of extraordinary general meeting shall prevail over the Chinese text in case of inconsistency.
8. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or "extreme conditions" caused by super typhoons is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company's website at www.lifestylehk.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
9. If member has any particular access requirements or needs special arrangements for participating at the meeting, please call the hotline of the Hong Kong branch share registrar of the Company and transfer office at (852) 2862 8555.
10. As at the date hereof, the board of directors of the Company comprises Mr. Lau Kam Sen and Ms. Lau Kam Shim as executive directors; Mr. Lau Luen Hung, Thomas, Mr. Doo Wai Hoi, William and Ms. Lau Yuk Wai, Amy as non-executive directors; and Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung as independent non-executive directors.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE GENERAL MEETING

To facilitate the ongoing prevention and control of the COVID-19 pandemic, the Company will implement the following precautionary measures at the Court Meeting and the General Meeting to safeguard the health and safety of the Shareholders and other attendees:

- (i) Compulsory body temperature checks will be conducted for every attendee at the entrance of the Court Meeting and the General Meeting venue;
- (ii) All attendees are required to scan the “LeaveHomeSafe” venue QR code and comply with the requirements of the “Vaccine Pass Direction” upon entering the Court Meeting and the General Meeting venue; and
- (iii) Attendees must wear surgical face masks inside the Court Meeting and the General Meeting venue at all times.

To the extent permitted under law, the Company reserves the right to deny/require any person who declines any of the above precautionary measures to entry into/leave the Court Meeting and/or the General Meeting venue in order to ensure the safety of the attendees at the relevant meeting. Shareholders and/or their representatives who are denied entry to the venue of the Court Meeting and/or the General Meeting will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineer (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 pandemic from time to time).

In addition, the Company regrets to inform the Shareholders that there will be **no distribution of corporate gift or serving of refreshment** at the Court Meeting and the General Meeting. The Company wishes to advise all of the Shareholders, particularly any Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the Court Meeting and/or the General Meeting as a proxy to attend and vote on any of the relevant resolutions, instead of attending the Court Meeting and/or the General Meeting in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising any voting rights.

If any Shareholder has any question relating to the relevant meeting, please contact the Hong Kong branch share registrar of the Company as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen’s Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: www.computershare.com/hk/contact