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HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

Incorporated in Hong Kong with limited liability
(Stock Code : 97)

**MAJOR TRANSACTION,
DISCLOSEABLE TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
NEW LEASING AND LICENSING FRAMEWORK AGREEMENT
AND
NOTICE OF THE EGM**

Independent Financial Adviser to the Independent Shareholders



CENTURION CORPORATE FINANCE LIMITED

Capitalised terms used on this cover page have the same meanings as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 22 of this circular. A letter from Centurion, the Independent Financial Adviser to the Independent Shareholders, is set out on pages 23 to 45 of this circular.

A notice convening the EGM to be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 5 June 2023 at 11:15 a.m. is set out on pages N-1 and N-2 of this circular. A form of proxy for use by the Independent Shareholders at the EGM is also enclosed. Whether or not you are able to attend the meeting, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return the same and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority) to the share registrar of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the meeting or adjourned or postponed meeting (as the case may be) at which the person named in such form of proxy proposes to vote or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours (excluding any part of a day that is a public holiday) before the time appointed for the taking of the poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned or postponed meeting or on the poll concerned, should you so wish.

16 May 2023

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DEFINITIONS

In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:

“2023 Right-of-Use Assets Acquisitions”	the acquisitions of right-of-use assets by the Group in respect of the Leasing and Licensing Transactions during the period from 1 October 2023 to 31 December 2023;
“2023 Right-of-Use Assets Cap”	the Right-of-Use Assets Cap for the period from 1 October 2023 to 31 December 2023;
“2023-2026 Leasing and Licensing Transaction Caps”	the Right-of-Use Assets Caps and the 2023-2026 Rental Expense Caps;
“2023-2026 Rental Expense Caps”	the Rental Expense Caps in relation to the period commencing on 1 October 2023 and ending on 31 December 2026;
“2023-2026 Rental Expenses Transactions”	the incurring of Rental Expenses during the period commencing on 1 October 2023 and ending on 31 December 2026;
“2024-2026 Annual Cap Period”	any of the following periods: (a) 1 January 2024 to 31 December 2024; (b) 1 January 2025 to 31 December 2025; and (c) 1 January 2026 to 30 September 2026, and “ 2024-2026 Annual Cap Periods ” means all of such periods;
“2024-2026 Right-of-Use Assets Acquisitions”	in relation to a 2024-2026 Annual Cap Period, the acquisitions of right-of-use assets by the Group in respect of the Leasing and Licensing Transactions during such 2024-2026 Annual Cap Period;
“2024-2026 Right-of-Use Assets Caps”	the Right-of-Use Assets Caps for the 2024-2026 Annual Cap Periods;
“2027-2029 Rental Expenses Transactions”	the incurring of Rental Expenses during the period commencing on 1 January 2027 and ending on 30 September 2029;

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“Annual Cap Period”	<p>in relation to the Right-of-Use Assets Caps, any of the following periods:</p> <ul style="list-style-type: none">(a) 1 October 2023 to 31 December 2023;(b) 1 January 2024 to 31 December 2024;(c) 1 January 2025 to 31 December 2025; and(d) 1 January 2026 to 30 September 2026; <p>in relation to the Rental Expense Caps, any of the following periods:</p> <ul style="list-style-type: none">(a) 1 October 2023 to 31 December 2023;(b) 1 January 2024 to 31 December 2024;(c) 1 January 2025 to 31 December 2025;(d) 1 January 2026 to 31 December 2026;(e) 1 January 2027 to 31 December 2027;(f) 1 January 2028 to 31 December 2028; and(g) 1 January 2029 to 30 September 2029, <p>and “Annual Cap Periods” means all of such periods;</p>
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Citistore HK”	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Company”	Henderson Investment Limited (恒基兆業發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 97);
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;

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“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held for considering and, if thought fit, approving the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps;
“Existing Leasing and Licensing Framework Agreement”	the framework agreement dated 15 October 2014 entered into between the Company and HLD pursuant to which the parties agreed that the members of the Group may lease and/or license various premises from HLD and/or its subsidiaries from time to time for the period from 1 December 2014 to 30 September 2023;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“HLD”	Henderson Land Development Company Limited (恒基兆業地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 12);
“HLD Group”	HLD and its subsidiaries and associates (but excluding the Group) from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Financial Adviser” or “Centurion”	Centurion Corporate Finance Limited, a corporation licensed 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, being the independent financial adviser appointed to advise the Independent Shareholders in respect of the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps;

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“Independent Shareholders”	the Shareholders who are not prohibited from voting under the Listing Rules to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps at the EGM;
“Latest Practicable Date”	10 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Leasing and Licensing Individual Agreement”	the written agreement to be entered into between a relevant member of the Group (as tenant or licensee) and a relevant member of the HLD Group (as landlord or licensor) in respect of each Leasing and Licensing Transaction;
“Leasing and Licensing Transaction”	any tenancy or licensing transaction (including any sub-letting or sub-licensing transaction) for any real property between any member of the Group (as tenant or licensee) and any member of the HLD Group (as landlord or licensor);
“Leasing and Licensing Transaction Caps”	collectively, the Right-of-Use Assets Caps and the Rental Expense Caps;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Leasing and Licensing Framework Agreement”	the framework agreement dated 19 April 2023 entered into between the Company and HLD in respect of the Leasing and Licensing Transactions between members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) for a term of 3 years from 1 October 2023 to 30 September 2026;
“Rental Expense Cap”	in relation to an Annual Cap Period, the cap on the maximum aggregate amount of the Rental Expenses in respect of the Leasing and Licensing Transactions during such Annual Cap Period, and “ Rental Expense Caps ” means all such caps for all Annual Cap Periods;

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“Rental Expenses”	the variable amount of lease or licence fee payments linked to revenue generated from the leased or licensed properties, short-term or low-value assets lease payments recognised as expenses in profit or loss by the Group and other fees and expenses (including service charges, air conditioning charges, management fees, promotion levies and other contributions, charges and fees) payable by the relevant members of the Group (as tenants or licensees) to the relevant members of the HLD Group (as landlords or licensors) under the Leasing and Licensing Individual Agreements;
“Right-of-Use Assets Cap”	in relation to an Annual Cap Period, the cap on the maximum aggregate value of the right-of-use assets to be acquired by the Group in respect of the Leasing and Licensing Transactions during such Annual Cap Period, and “ Right-of-Use Assets Caps ” means all such caps for all Annual Cap Periods;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) in the share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Unicorn”	Unicorn Stores (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company; and
“%”	per cent.

LETTER FROM THE BOARD



HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

Incorporated in Hong Kong with limited liability
(Stock Code : 97)

Executive Directors:

Dr. Lee Ka Shing

(Chairman and Managing Director)

Dr. Lee Ka Kit *(Vice Chairman)*

Dr. Lam Ko Yin, Colin *(Vice Chairman)*

Li Ning

Independent Non-executive Directors:

Kwong Che Keung, Gordon

Professor Ko Ping Keung

Wu King Cheong

Au Siu Kee, Alexander

Registered Office:

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

16 May 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION,
DISCLOSEABLE TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
NEW LEASING AND LICENSING FRAMEWORK AGREEMENT**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 19 April 2023 in relation to the entering into by the Company of the New Leasing and Licensing Framework Agreement with HLD, pursuant to which members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) may enter into the Leasing and Licensing Transactions during the period from 1 October 2023 to 30 September 2026.

The purpose of this circular is to provide you with, among other things:

- (a) further information on the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps;
- (b) the letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps; and

LETTER FROM THE BOARD

- (c) the notice convening the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps.

2. THE NEW LEASING AND LICENSING FRAMEWORK AGREEMENT

Introduction

Reference is made to the announcement and circular of the Company dated 17 October 2014 in respect of, inter alia, the Existing Leasing and Licensing Framework Agreement entered into between the Company and HLD on 15 October 2014, pursuant to which the parties agreed that the members of the Group may lease and/or license various premises from HLD and/or its subsidiaries from time to time during the period from 1 December 2014 to 30 September 2023.

As the Existing Leasing and Licensing Framework Agreement is due to expire, the Company and HLD on 19 April 2023 entered into the New Leasing and Licensing Framework Agreement pursuant to which members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) may enter into the Leasing and Licensing Transactions during the period from 1 October 2023 to 30 September 2026.

Principal terms

The principal terms of the New Leasing and Licensing Framework Agreement are summarised below:

- Date** : 19 April 2023.
- Parties** : (1) The Company; and
(2) HLD.
- Term** : The term of 3 years commencing on 1 October 2023 and ending on 30 September 2026 (unless terminated by either party giving not less than one month's written notice of termination to the other party).
- Condition** : The New Leasing and Licensing Framework Agreement is conditional upon approval of the same and the transactions contemplated thereunder (including the 2023-2026 Leasing and Licensing Transaction Caps) by the Independent Shareholders. If such condition is not satisfied on or before 1 October 2023 (or such other date as the parties may agree in writing), the New Leasing and Licensing Framework Agreement shall forthwith be automatically terminated.

LETTER FROM THE BOARD

Subject matter : HLD shall and shall procure the relevant members of the HLD Group to, and the Company shall and shall procure the relevant members of the Group to, enter into the Leasing and Licensing Transactions on a non-exclusive basis, as and when reasonably requested by members of the Group from time to time.

Leasing and Licensing Individual Agreements : In relation to the Leasing and Licensing Transactions, relevant members of the Group and relevant members of the HLD Group shall enter into the Leasing and Licensing Individual Agreements, which shall be in such forms and on such terms and conditions (including but not limited to, where applicable, term of the lease or licence, amounts, calculations and adjustments of rent or licence fees, security deposits, air conditioning charges, management fees, promotion levies and other contributions, charges and fees, payment terms, rent-free period, option terms and provisions for early termination for cause or for convenience) to be agreed upon between the relevant parties from time to time using reasonable endeavours.

The term of each such lease or licence shall not exceed 3 years (excluding any extension or further extension thereof at the option of the Group, provided that each such extension or further extension shall not exceed 3 years).

As the existing leases and licences (other than ad hoc licences and licences for pop-up stores) of premises granted by HLD and/or its subsidiaries under the Existing Leasing and Licensing Framework Agreement are due to expire on 30 September 2023 or have option term commencing on 1 October 2023, it is expected that the relevant members of the Group and the relevant members of the HLD Group will enter into Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 (i.e. the commencement date of the New Leasing and Licensing Framework Agreement). A summary of the indicative principal terms of such Leasing and Licensing Individual Agreements is set out in the sub-section headed “Summary of indicative principal terms of initial Leasing and Licensing Individual Agreements” below.

Leasing and Licensing Individual Agreements in respect of other Leasing and Licensing Transactions may also be entered into from time to time during the term of the New Leasing and Licensing Framework Agreement.

LETTER FROM THE BOARD

- Basis of determination of the terms of each Leasing and Licensing Transaction (including the pricing basis of the rent/licence fees)** :
- (a) Each Leasing and Licensing Transaction shall be subject to the provisions of the New Leasing and Licensing Framework Agreement and the relevant Leasing and Licensing Individual Agreement(s) (the provisions of the New Leasing and Licensing Framework Agreement shall prevail in case of inconsistencies);
 - (b) the terms of the Leasing and Licensing Transactions shall be fair and reasonable; and the Leasing and Licensing Transactions shall be on normal commercial terms or better to the Group; and
 - (c) the rent or licence fees and other terms of each Leasing and Licensing Transaction shall be determined by arm's length negotiations taking into account, among others, the following main factors (where applicable):
 - (i) the district and vicinity of the property concerned;
 - (ii) the business to be carried on at the property concerned;
 - (iii) the size, location (within the relevant building or shopping mall) and condition of the property concerned;
 - (iv) the length of the term of the lease or licence; and
 - (v) the possible contribution, if any, of the tenant or licensee, to the building or shopping mall in which the property concerned is located,

including with reference to, where applicable, terms offered by the HLD Group to existing or potential tenants or licensees of premises within the relevant building or shopping mall or premises similar to the property concerned and market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with valuers or property agencies.

The amount payable by the Group under the Leasing and Licensing Individual Agreements will be funded by internal resources of the Group.

LETTER FROM THE BOARD

Historical transaction amounts

The aggregate historical fixed rents or fixed licence fees

The historical fixed dollar amounts of periodic rents or licence fees paid by members of the Group to HLD and/or its subsidiaries for the Leasing and Licensing Transactions (after taking into account rent-free periods and rental concessions) for each of the three years ended 31 December 2022 and the 2 months ended 28 February 2023 under the Existing Leasing and Licensing Framework Agreement are set out below:

For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the 2-month period commencing on 1 January 2023 and ended on 28 February 2023
<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
136.16	152.24	153.24	26.22

The aggregate historical variable lease or licence payments, short term lease or licence payments and other fees and expenses

The historical variable amounts of lease or licence payments linked to revenue generated from the leased or licensed properties, short term lease or licence payments and other fees and expenses (including service charges, air conditioning charges, management fees, promotion levies and other contributions, charges and fees) paid by members of the Group to HLD and/or its subsidiaries in relation to the Leasing and Licensing Transactions for each of the three years ended 31 December 2022 and the 2 months ended 28 February 2023 under the Existing Leasing and Licensing Framework Agreement are set out below:

For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the 2-month period commencing on 1 January 2023 and ended on 28 February 2023
<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
57.61	64.65	70.56	11.44

LETTER FROM THE BOARD

The Leasing and Licensing Transaction Caps

The Right-of-Use Assets Caps

The proposed Right-of-Use Assets Caps in respect of the Leasing and Licensing Transactions to be entered into during the term of the New Leasing and Licensing Framework Agreement are set out below:

Period	Right-of-Use Assets Cap HK\$ (million)
For the 3-month period commencing on 1 October 2023 and ending on 31 December 2023	538
For the year ending 31 December 2024	122
For the year ending 31 December 2025	122
For the 9-month period commencing on 1 January 2026 and ending on 30 September 2026	122

The Rental Expense Caps

The proposed Rental Expense Caps in respect of the Leasing and Licensing Transactions to be entered into during the term of the New Leasing and Licensing Framework Agreement are set out below:

Period	Rental Expense Cap HK\$ (million)
For the 3-month period commencing on 1 October 2023 and ending on 31 December 2023	30
For the year ending 31 December 2024	115
For the year ending 31 December 2025	140
For the year ending 31 December 2026	128
For the year ending 31 December 2027	26
For the year ending 31 December 2028	25
For the 9-month period commencing on 1 January 2029 and ending on 30 September 2029	18

Notwithstanding the term of the New Leasing and Licensing Framework Agreement is only for three years, the setting of Rental Expense Caps for six years is required since the term of a Leasing and Licensing Individual Agreement (which may have a fixed term of up to three years) entered into towards the end of the term of the New Leasing and Licensing Framework Agreement (i.e. on or before 30 September 2026) may not expire until towards the end of the three year period after expiry of the term of the New Leasing and Licensing Framework Agreement (i.e. on or before 30 September 2029).

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Basis for determining the Leasing and Licensing Transaction Caps

The proposed Leasing and Licensing Transaction Caps have been determined after taking into account:

- (a) the historical fixed dollar amount of periodic rents or licence fees and historical turnover rents and other fees and expenses paid by members of the Group to HLD and/or its subsidiaries for the Leasing and Licensing Transactions under the Existing Leasing and Licensing Framework Agreement and to independent third party landlords for similar transactions;
- (b) the expected renewal of the existing leases and licences granted under the Existing Leasing and Licensing Framework Agreement which are due to expire on 30 September 2023, and the preliminary views of an independent valuer on the market rents and licence fees of the relevant premises;
- (c) the estimated turnover for the relevant premises in respect of which turnover rents may be payable;
- (d) the current business development and expansion plan of the Group in the forthcoming years involving the opening of new supermarkets, department stores and household specialty stores, and the corresponding possibility of the entering into of new leases and licences with the HLD Group in relation thereto;
- (e) the premises and potential premises of the HLD Group which could be available for leasing or licensing to the relevant members of Group in the future;
- (f) market comparables obtained from the Land Registry of Hong Kong, enquiries with valuers or property agencies; and
- (g) a reasonable buffer not exceeding 15% to cater for rent reviews and adjustments, taking into account estimated increase in other fees and expenses (allowing for inflation and increase of labour and other costs) as well as market improvement in the future which might result in year-on-year increase in sales and hence turnover rents.

Internal control procedures

The terms of each Leasing and Licensing Individual Agreement made under the New Leasing and Licensing Framework Agreement will be determined according to the following procedures:

- (a) the relevant members of the Group and the relevant members of the HLD Group shall enter into arms' length negotiations with respect to each Leasing and Licensing Transaction, with due regard to the pricing policy as set out in the New Leasing and Licensing Framework Agreement, including the rents or licence fees, and other terms being subject to the particular circumstances of the proposed transactions; and

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- (b) in respect of renewal of an existing lease or licence by the exercise of option, unless agreed otherwise by the relevant parties and subject to the provisions of the New Leasing and Licensing Framework Agreement, the terms and conditions for the exercise of the option will be followed.

The relevant department of the Company will periodically review the Leasing and Licensing Individual Agreements and the Leasing and Licensing Transactions and monitor the utilisation of the annual caps to ensure compliance with the terms of the New Leasing and Licensing Framework Agreement.

Summary of indicative principal terms of initial Leasing and Licensing Individual Agreements

The indicative principal terms of the proposed Leasing and Licensing Individual Agreements with terms commencing on 1 October 2023 are summarised as follows:

Premises	Lettable area	Term ^{Note 1}	Basic rent per month	Turnover rent provisions ^{Note 2} and miscellaneous monthly charges ^{Note 3}
(1) Tsuen Wan Branch of Citistore at KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan Town Lot No. 301				
Shop Nos. G9-G12, G/F	1,893 sq.ft.	1 October 2023 – 30 September 2026	HK\$280,000	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore) Service charges: HK\$19,000
Shop No. G17, G/F	547 sq.ft.	1 October 2023 – 30 September 2026	HK\$80,000	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore) Service charges: HK\$5,000
Shop Nos. G18A, G18B, G19-G23, G/F	2,951 sq.ft.	1 October 2023 – 30 September 2026	HK\$450,000	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore) Service charges: HK\$28,000

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Premises	Lettable area	Term ^{Note 1}	Basic rent per month	Turnover rent provisions ^{Note 2} and miscellaneous monthly charges ^{Note 3}
Shop Nos. G13-G16 and G24-G29, G/F; Whole of 1/F; Portion of 2/F; Remaining Portion of 2/F; and Shop Nos. 301-303 on 3/F	133,469 sq.ft.	1 October 2023 – 30 September 2026	HK\$4,630,000	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore) Service charges: HK\$1,423,000

(2) Yuen Long Branch of Citistore at KOLOUR • Yuen Long, 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464

Shop Nos. 1-3, 35-39 and 48-49, 2/F (the “ First Premises ”)	4,296 sq.ft.	1 October 2023 – 30 September 2026	HK\$400,000 for both the First Premises and the Second Premises in aggregate	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Service charges: HK\$72,000 (for the First Premises)
Shop Nos. 31-34, 40-42 and 45-47, 2/F (the “ Second Premises ”)	2,586 sq.ft.			Service charges: HK\$46,000 (for the Second Premises)
Whole of 3/F and 4/F	47,927 sq.ft.	1 October 2023 – 30 September 2026	HK\$1,590,000	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Service charges: HK\$676,000

LETTER FROM THE BOARD

Premises	Lettable area	Term ^{Note 1}	Basic rent per month	Turnover rent provisions ^{Note 2} and miscellaneous monthly charges ^{Note 3}
(3) Yuen Long Branch of UNY at KOLOUR • Yuen Long, 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464				
Whole of B1/F	19,795 sq.ft.	1 October 2023 – 30 September 2026	HK\$1,372,000	Turnover rent: 7% of annual turnover Service charges: HK\$301,000
(4) Ma On Shan Branch of Citistore at MOSTown, Ma On Shan, Sha Tin Town Lot No. 307				
Shop No. 2109 Level 2	3,360 sq.ft.	1 October 2023 – 30 September 2026	HK\$226,000	Turnover rent: 8% of annual turnover Service charges: HK\$77,000
Shop No. 3101, Level 3	62,340 sq.ft.	1 October 2023 – 30 September 2026	HK\$1,734,000	Turnover rent: 8% of annual turnover Service charges: HK\$1,239,000
(5) Tseung Kwan O Branch of Citistore at MCP Central, Tseung Kwan O Town Lot No. 27				
Shop Nos. 2047-51, Level 2	42,680 sq.ft.	1 October 2023 – 30 September 2026	HK\$970,000	Turnover rent: 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore)
Shop Nos. 2052-53, Level 2	12,893 sq.ft.	1 October 2023 – 30 September 2026	HK\$320,000	Turnover rent: 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore) Service charges: HK\$256,000

LETTER FROM THE BOARD

Premises	Lettable area	Term ^{Note 1}	Basic rent per month	Turnover rent provisions ^{Note 2} and miscellaneous monthly charges ^{Note 3}
Shop Nos. 2054-56, Level 2	12,703 sq.ft.	1 October 2023 – 30 September 2026	HK\$280,000	Turnover rent: 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore)
				Service charges: HK\$129,000
(6) Tseung Kwan O Branch of UNY at MCP Central, Tseung Kwan O Town Lot No. 27^{Note 4}				
Shop No. UG036, Upper Ground Floor	43,038 sq.ft.	1 October 2023 – 30 September 2026	HK\$1,400,000	Turnover rent: 6% of annual turnover
				Service charges: HK\$728,000
(7) Tuen Mun Branch of Citistore at North Wing, Trend Plaza, Tuen Mun Town Lot No. 282				
Portion of L3, North Wing	17,683 sq.ft.	1 October 2023 – 30 September 2026	HK\$1,000,000	Turnover rent: 8% of annual turnover
				Service charges: HK\$276,000
(8) The Offices of Citistore HK at KOLOUR • Tsuen Wan I, 68 Chung On Street, Tsuen Wan Town Lot No. 328				
Whole of 8/F and 9/F	22,724 sq.ft. (expressed in terms of gross floor area)	1 October 2023 – 30 September 2026	HK\$601,000	Turnover rent: Not applicable Service charges: HK\$161,000

Notes:

1. Each of these proposed Leasing and Licensing Individual Agreements is to include a provision under which either party may early terminate by giving the other party not less than three months' notice of termination if so mutually agreed by the parties.
2. Where any of these proposed Leasing and Licensing Individual Agreements provides for payment of turnover rent, it will only be payable if it is higher than the basic rent, and in such event turnover rent will be payable instead of basic rent.

LETTER FROM THE BOARD

3. *Where monthly service charges are payable under any of these proposed Leasing and Licensing Individual Agreements, they will be subject to review from time to time.*
4. *Under the existing tenancy agreement of the Tseung Kwan O Branch of UNY dated 5 November 2021, the relevant member of the Group has the right to exercise an option to renew for a further term of 3 years from 1 October 2023 to 30 September 2026. Since the acquisition of right-of-use assets for the term of the existing tenancy agreement and the option term has already been recognised in the accounts of the Group since the commencement of the existing tenancy agreement, no additional right-of-use assets will be recognised for the exercise of the option.*

The Company has engaged Cushman & Wakefield Limited, an independent property valuer, to conduct valuation of the market rents of the above premises, the letter and report of which are set out in Appendix II to this circular.

3. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW LEASING AND LICENSING FRAMEWORK AGREEMENT

The Group has been operating supermarkets, department stores and household specialty stores including Citistore, UNY and Citilife at premises owned by the HLD Group for many years. Those premises are all located in prime locations of various districts in Hong Kong, bringing great convenience to the local community. Relocation of such supermarkets and stores would impact adversely upon the stability of the business of the Group, and also lead to the incurring of significant costs for renovation of new premises.

It is believed that the entering into of the New Leasing and Licensing Framework Agreement is in the best interest of the Company, given that the New Leasing and Licensing Framework Agreement would, after having been approved by the Independent Shareholders, accommodate the existing and future Leasing and Licensing Transactions between the Group and the HLD Group under a common framework agreement, allowing members of the Group to enter into Leasing and Licensing Transactions with members of the HLD Group from time to time within such framework without the need for the Company to further comply with announcement and/or independent shareholders' approval requirements (as applicable) on each occasion when a Leasing and Licensing Individual Agreement is entered into. This would provide the Group with the flexibility and cost effectiveness to make use of opportunities to lease or take up licence of commercial premises of the HLD Group for its operations as and when necessary.

4. ACCOUNTING TREATMENT AND FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE NEW LEASING AND LICENSING FRAMEWORK AGREEMENT

In relation to the Leasing and Licensing Transactions, in accordance with HKFRS 16 "Leases", except for certain recognition exemptions (being short-term leases that have lease term of 12 months or less and leases of low-value assets), where any member of the Group acts as a tenant or licensee, the Group is required to recognise a right-of-use asset and a lease liability at the lease commencement date.

LETTER FROM THE BOARD

Effect on assets of the Group

When a lease is capitalised, the right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the lease commencement, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value and less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. Depreciation on the right-of-use asset is determined over the period from the commencement date of the lease to the end of the term of the lease, taking into consideration any renewal options attaching thereto. The Group presents the right-of-use asset separately from the lease liabilities in the consolidated statement of financial position.

Based on the above, the Group's total consolidated assets are estimated to increase by approximately HK\$465 million on 1 October 2023 upon initial recognition of the right-of-use assets as a result of the Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 referred to above. If and when other leases are entered into under the New Leasing and Licensing Framework Agreement, the Group's total consolidated assets will increase upon initial recognition of the right-of-use assets arising as a result thereof.

Effect on liabilities of the Group

When a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the Group's estimated incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and finance cost is calculated using the effective interest rate method, based on the Group's estimated incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Based on the above, the Group's total consolidated liabilities are estimated to increase by approximately HK\$465 million on 1 October 2023 upon initial recognition of the lease liabilities as a result of the Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 referred to above. If and when other leases are entered into under the New Leasing and Licensing Framework Agreement, the Group's total consolidated liabilities will increase upon initial recognition of the lease liabilities arising as a result thereof.

Effect on earnings of the Group

The annual depreciation charges on the right-of-use assets during the initial three-year terms of the Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 referred to above are estimated to be approximately HK\$170 million per annum. If other leases are entered into under the New Leasing and Licensing Framework Agreement, depreciation charges on the right-of-use assets during the terms of such leases will also be recognised by the Group.

LETTER FROM THE BOARD

Finance costs on the lease liabilities are currently determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liabilities, adjusted for lease modification/reassessment of the lease term (if any) and after deducting the periodic lease payments.

Both the depreciation charges on the right-of-use assets and the finance costs on the lease liabilities will have the aggregate effect of decrease on the Group's earnings.

5. LISTING RULES IMPLICATIONS

As HLD is the controlling shareholder of the Company interested in approximately 69.27% of the issued Shares, members of the HLD Group are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the New Leasing and Licensing Framework Agreement constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of the 2023 Right-of-Use Assets Cap exceeds 25% but is less than 100%, the 2023 Right-of-Use Assets Acquisitions constitute a major transaction of the Company subject to the disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of each of the 2024-2026 Right of Use Assets Caps exceeds 5% but is less than 25%, the 2024-2026 Right-of-Use Assets Acquisitions during each 2024-2026 Annual Cap Period constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As non-exempt continuing connected transactions, the acquisitions of the above right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2023-2026 Rental Expenses Transactions exceeds 5%, those transactions also constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the 2027-2029 Rental Expenses Transactions exceeds 0.1% but is less than 5%, and those transactions are conducted on normal commercial terms, they are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. DIRECTORS' INTERESTS

Since Dr. Lee Ka Shing, Dr. Lee Ka Kit and Mr. Li Ning are each regarded as having a material interest in the transactions contemplated under the New Leasing and Licensing Framework Agreement by virtue of their deemed interests in the shares of HLD, they have abstained from voting on the relevant board resolutions of the Company to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the Leasing and Licensing Transaction Caps, pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the transactions under those agreements.

LETTER FROM THE BOARD

As all independent non-executive Directors are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders on the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps or on how to vote on the resolution to be proposed at the EGM. Therefore, no independent board committee of the Company has been formed to make recommendations to the Independent Shareholders in connection therewith. Centurion has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

7. INFORMATION ON THE PARTIES INVOLVED

The Group

The Company is a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 97). The Company is an investment holding company and the principal business activities of its subsidiaries are investment holding, and supermarket, department store and household specialty store operation.

The HLD Group

HLD is a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 12). The HLD Group is principally engaged in property development and investment, construction, project management, property management, provision of finance, hotel operation and management and investment holding.

8. THE EGM

A notice convening the EGM to be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 5 June 2023 at 11:15 a.m. is set out on pages N-1 and N-2 of this circular. An ordinary resolution will be proposed at the EGM to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. As at the Latest Practicable Date, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited (all indirect wholly-owned subsidiaries of HLD) together held 2,110,868,943 Shares (representing approximately 69.27% of the total number of issued Shares as at the Latest Practicable Date). In view of the interest of HLD in the New Leasing and Licensing Framework Agreement and the transactions contemplated thereunder, the said subsidiaries of HLD are required to abstain from voting on the ordinary resolution to be proposed at the EGM to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction

LETTER FROM THE BOARD

Caps. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the New Leasing and Licensing Framework Agreement and the transactions contemplated thereunder that is required to abstain from voting on the said ordinary resolution to be proposed at the EGM.

A form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return the same and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority) to the share registrar of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the meeting (i.e. at or before 11:15 a.m., 2 June 2023) or adjourned or postponed meeting (as the case may be) at which the person named in such form of proxy proposes to vote or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours (excluding any part of a day that is a public holiday) before the time appointed for the taking of the poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned or postponed meeting or on the poll concerned, should you so wish.

9. CLOSURE OF REGISTER OF MEMBERS

In order to determine the Independent Shareholders who are entitled to attend and vote at the EGM (or any adjournment or postponement thereof), the Register of Members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 30 May 2023. The record date for determining entitlements of Shareholders to attend and vote at the EGM is Monday, 5 June 2023.

10. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the New Leasing and Licensing Framework Agreement and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and their terms and the Leasing and Licensing Transaction Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

Your attention is drawn to:

- (a) the letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps, the text of which is set out on pages 23 to 45 of this circular; and
- (b) the additional information (including financial information on the Group and rental valuation report) set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Dr. Lee Ka Shing
Chairman and Managing Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Centurion to the Independent Shareholders dated 16 May 2023 in respect of the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps, which has been prepared for the purpose of incorporation in this circular:–



CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

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威靈頓街14-24號
威靈頓公爵大廈7樓

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16 May 2023

*To the Independent Shareholders of
Henderson Investment Limited*

Dear Sirs,

MAJOR TRANSACTION, DISCLOSEABLE TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW LEASING AND LICENSING FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders with respect to the entering into of the New Leasing and Licensing Framework Agreement between the Company and HLD, the Leasing and Licensing Transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps, details of which are set out in the “Letter From The Board” of the circular dated 16 May 2023 to the Shareholders (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the circular of the Company dated 17 October 2014 in respect of the Existing Leasing and Licensing Framework Agreement entered into between the Company and HLD, pursuant to which the parties agreed that members of the Group may lease and/or license various premises from HLD and/or its subsidiaries from time to time during the period from 1 December 2014 to 30 September 2023.

As the Existing Leasing and Licensing Framework Agreement is due to expire on 30 September 2023, the Company and HLD entered into the New Leasing and Licensing Framework Agreement on 19 April 2023, pursuant to which members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) may enter into the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Leasing and Licensing Transactions during the period from 1 October 2023 to 30 September 2026. In relation to the Leasing and Licensing Transactions, the 2023-2026 Leasing and Licensing Transaction Caps (among others) are also proposed, details of which are set out in the “Letter From The Board”.

LISTING RULES IMPLICATIONS

In view of the fact that HLD is the controlling shareholder of the Company interested in approximately 69.27% of the issued Shares, members of the HLD Group are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the New Leasing and Licensing Framework Agreement constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of the 2023 Right-of-Use Assets Cap exceeds 25% but is less than 100%, the 2023 Right-of-Use Assets Acquisitions constitute a major transaction of the Company subject to the disclosure and Shareholders’ approval requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of each of the 2024-2026 Right-of-Use Assets Caps exceeds 5% but is less than 25%, the 2024-2026 Right-of-Use Assets Acquisitions during each 2024-2026 Annual Cap Period constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As non-exempt continuing connected transactions, the acquisitions of the above right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2023-2026 Rental Expenses Transactions exceeds 5%, those transactions also constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all independent non-executive Directors are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders on the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps or on how to vote on the resolution to be proposed at the EGM. Therefore, no independent board committee of the Company has been formed to make recommendations to the Independent Shareholders in connection therewith. Hence, we have been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

The New Leasing and Licensing Framework Agreement, the Leasing and Licensing Transactions contemplated thereunder together with such transaction amounts which have not exceeded the proposed Leasing and Licensing Transaction Caps will also be subject to the annual review requirements by independent non-executive Directors and by the auditors of the Company under Rules 14A.55 to 14A.59 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENT FINANCIAL ADVISER

We have been appointed to give an independent opinion to the Independent Shareholders as to:–

- (A) whether the entering into of the New Leasing and Licensing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and its Shareholders as a whole;
- (B) whether the terms of the New Leasing and Licensing Framework Agreement and the Leasing and Licensing Transactions contemplated thereunder are fair and reasonable and on normal commercial terms or better to the Group;
- (C) whether the rent or licence fees and other terms of each Leasing and Licensing Transaction will be determined by arm's length negotiations taking into account, among others, main factors (where applicable) such as (a) district and vicinity of the property; (b) the business to be carried on at the property; (c) the size, location and condition of the property; (d) the length of the term of the lease or licence; and (e) the possible contribution, if any, of the tenant or licensee, to the building or shopping mall in which the property is located, including with reference to, where applicable, terms offered by the HLD Group to existing or potential tenants or licensees of premises within the relevant building or shopping mall or premises similar to the property concerned and market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with valuers or property agencies;
- (D) whether the proposed 2023-2026 Leasing and Licensing Transaction Caps are fair and reasonable; and
- (E) how the Independent Shareholders should vote with respect to the resolution proposed at the EGM to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps.

We have never acted as a financial adviser to any member of the Group or the HLD Group. For the last two years from the date of the Circular, we were only engaged as the independent financial adviser at a normal professional fee by each of HLD and Miramar Hotel and Investment Company, Limited (a subsidiary of the HLD Group), to confirm the durations of the respective tenancy agreement and sub-lease agreement exceeding 3 years entered into by their subsidiaries were normal business practice for agreements of those types to be of such durations pursuant to Rule 14A.52 of the Listing Rules. Our remuneration for this letter of independent advice is on a normal fixed fee basis only and is not conditional on the successful passing of the resolution to be proposed at the EGM. We are independent of and not associated

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

with members of the Group, their respective substantial shareholders, holding companies or connected persons as defined under the Listing Rules. Accordingly, we are independent pursuant to Listing Rule 13.84 to give our independent advice as set out herein.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular and other documents (including but not limited to the New Leasing and Licensing Framework Agreement, existing leasing and licensing individual agreement(s) entered into under the Existing Leasing and Licensing Framework Agreement, the valuation report on market rents, management-prepared financial effects statements and right-of-use asset calculations), which have been provided by the executive Directors and/or management of the Group and to the extent such documents were prepared by the Group, the Directors shall take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular up to the date of the EGM.

We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due and careful enquiry. The Directors collectively and individually accept full responsibility for particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company in the Circular. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading. We have not conducted any independent or in-depth investigation into the businesses, financial conditions and/or future prospects of the Group nor have we independently verified any of the information supplied to us.

We have no reason to believe that any information, statements, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion as set out herein. The Company will notify the Shareholders of any material change to the information set out in the Circular after the Latest Practicable Date and up to and including the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background

1.1 Information of the Group

The Company is an investment holding company and the principal business activities of its subsidiaries are investment holding, department store, supermarket and household specialty store operations.

The retailing operation in Hong Kong has become the sole business of the Group since its acquisition of Citistore HK from the HLD Group in 2014 and its acquisition of UNY (HK) Co., Limited (thereafter renamed as Unicorn) from an independent third party in 2018. The Group's retail operations are principally carried out by these two wholly-owned subsidiaries: (i) Citistore HK, which operates five department stores operating under the name of "Citistore" and four household specialty stores under the name of "Citilife"; and (ii) Unicorn, which operates two department stores-cum-supermarkets under the names of "APITA" and "UNY" and two supermarkets under the name of "UNY". "Citistore", "APITA" and "UNY" are established brands with two of them having more than 30 years of operating track record, which are strong brands trusted by consumers in Hong Kong.

Following the acquisition of Citistore HK by the Group, the Existing Leasing and Licensing Framework Agreement was entered into between the Company and HLD on 15 October 2014 which stipulates the principal terms and conditions governing Leasing and Licensing Transactions entered into between members of the HLD Group as landlord(s) or licensor(s) and Citistore HK and its outlets as tenant(s) or licensee(s) with respect to certain properties of the HLD Group, details of which were set out in the Company's circular dated 17 October 2014 and in the Company's annual reports.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial highlights, right-of-use assets and lease liabilities of the Group

As set out in the Company's 2021 and 2022 annual reports, for the years ended 31 December 2020, 2021 and 2022 respectively, the following tables highlight the Group's audited consolidated revenues, right-of-use assets and lease liabilities recognition:–

Table A: Highlights of the Group's audited revenue

For the year ended 31 December	2022	2021	2020
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Revenue attributable to Citistore HK	706	751	732
Revenue attributable to Unicorn	1,080	1,019	1,097
Total revenue	1,786	1,770	1,829

(Source: 2022 and 2021 annual reports of the Company)

Table B: Highlights of the Group's audited right-of-use assets and lease liabilities

As at 31 December	2022	2021	2020
	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>	<i>(HK\$'million)</i>
Assets			
Right-of-use assets	681	413	552
Total Assets	2,473	2,296	2,430
Liabilities			
Lease liabilities classified as current	228	213	261
Lease liabilities classified as non-current	517	289	413
Total Liabilities	1,203	972	1,083

(Source: 2022 and 2021 annual reports of the Company)

As set out in Table A above, for the three years ended 31 December 2022, the Group's department store and department store-cum-supermarket operations carried out under Citistore HK and Unicorn respectively accounted for all its revenue.

Table B above gives an overview of the historical right-of-use assets and lease liabilities recognised by the Group under HKFRS 16 "Leases", and such amounts are to be viewed against total assets and total liabilities of the Group in relation to the possible financial effects on total assets and total liabilities of the Group set out in Section 7 below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Group is principally engaged in the supermarket, department store and household specialty store operations and physical stores for such operations are necessary; (ii) the store premises with their respective proposed Leasing and Licensing Individual Agreements commencing on 1 October 2023 as summarised on pages 13 to 17 in the “Letter From The Board” were historically leased or licensed from members of the HLD Group; and (iii) the entering into of the Existing Leasing and Licensing Framework Agreement between the Company and HLD on 15 October 2014 was to govern and address this need for store premises, we are of the opinion that the entering into of the New Leasing and Licensing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and its Shareholders as a whole.

2. Terms of the New Leasing and Licensing Framework Agreements

The purpose of the New Leasing and Licensing Framework Agreement is to extend another three years to cater for the Leasing and Licensing Transactions which may be undertaken by any member of the Group as tenant or licensee, in order to ensure the Group’s retail store needs are to continue, without any unnecessary disruptions to such operational needs.

2.1 *Principal terms*

The principal terms of the New Leasing and Licensing Framework Agreement are summarised below:

Parties	:	(A) The Company; and (B) HLD.
Term	:	The term of 3 years commencing on 1 October 2023 and ending on 30 September 2026 (unless terminated by either party giving not less than one month’s written notice of termination to the other party).
Condition	:	The New Leasing and Licensing Framework Agreement and the transactions contemplated thereunder (including the 2023-2026 Leasing and Licensing Transaction Caps) are conditional on approval by the Independent Shareholders.
Subject matter	:	The entering into of the Leasing and Licensing Transactions shall be on a non-exclusive basis, as and when reasonably requested by members of the Group from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Leasing and
Licensing
Individual
Agreements** : In relation to the Leasing and Licensing Transactions, relevant members of the Group and relevant members of the HLD Group shall enter into the Leasing and Licensing Individual Agreements, which shall be in such forms and on such terms and conditions to be agreed between the relevant parties from time to time using reasonable endeavours.

The term of each such lease or licence shall not exceed 3 years (excluding any extension or further extension thereof at the option of the Group, provided that each such extension or further extension shall not exceed 3 years).

Leasing and Licensing Individual Agreements in respect of other Leasing and Licensing Transactions may be entered into from time to time during the term of the New Leasing and Licensing Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Basis of determination of the terms of each Leasing and Licensing Transaction (including the pricing basis of the rent/licence fees)** :
- (a) Each Leasing and Licensing Transaction shall be subject to the provisions of the New Leasing and Licensing Framework Agreement and the relevant Leasing and Licensing Individual Agreement(s) (the provisions of the New Leasing and Licensing Framework Agreement shall prevail in case of inconsistencies);
 - (b) the terms of the Leasing and Licensing Transactions shall be fair and reasonable; and the Leasing and Licensing Transactions shall be on normal commercial terms or better to the Group; and
 - (c) the rent or licence fees and other terms of each Leasing and Licensing Transaction shall be determined by arm's length negotiations taking into account, among others, the following main factors (where applicable):
 - (i) the district and vicinity of the property concerned;
 - (ii) the business to be carried on at the property concerned;
 - (iii) the size, location (within the relevant building or shopping mall) and condition of the property concerned;
 - (iv) the length of the term of the lease or licence; and
 - (v) the possible contribution, if any, of the tenant or licensee, to the building or shopping mall in which the property concerned is located,

including with reference to, where applicable, terms offered by the HLD Group to existing or potential tenants or licensees of premises within the relevant building or shopping mall or premises similar to the property concerned and market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with valuers or property agencies.

Please refer to the "Letter From The Board" for more details on the principal terms of the New Leasing and Licensing Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 *Our views*

The term of 3 years for the New Leasing and Licensing Framework Agreement and that the term for the relevant Leasing and Licensing Individual Agreement(s) shall not exceed 3 years (excluding any extension or further extension thereof at the option of the Group, provided that each such extension or further extension shall not exceed 3 years) are in compliance with Rule 14A.52 of the Listing Rules insofar as the 3-year upper limit is concerned. The termination clause under the New Leasing and Licensing Framework Agreement allows each party to serve not less than one month notice to terminate the New Leasing and Licensing Framework Agreement. The entering into of the Leasing and Licensing Transactions will be on a non-exclusive basis. These principal terms are to give certain flexibilities to the parties to such an agreement in an equal manner and are considered by us to be fair and reasonable and on normal commercial terms.

Note 1 to the section headed “Summary of indicative principal terms of initial Leasing and Licensing Individual Agreements” on page 16 in the “Letter From The Board” states that each of the proposed Leasing and Licensing Individual Agreements is to include a provision under which either party may early terminate by giving the other party not less than three months’ notice of termination if so mutually agreed by the parties. We are of the view that such three months’ notice is also fair and reasonable as termination under a Leasing and Licensing Individual Agreement would require relocation to a new premises, reinstatement of the existing premises to a “bare shell” condition or a condition mutually agreed by the parties and other necessary actions undertaken by the tenant or licensee, which are most likely to require lead time of up to three months.

The section below opines on the fairness and reasonableness of the terms of each Leasing and Licensing Transaction (including the pricing policy of the rent/licence fees).

3. **Fair rent valuation report**

The Company has engaged Cushman & Wakefield Limited, an independent valuer (the “**Valuer**”), to provide a fair rent valuation report (the “**Valuation Report**”) on each of the premises in the section headed “Summary of indicative principal terms of initial Leasing and Licensing Individual Agreements” on pages 13 to 17 in the “Letter From The Board”, on the basis of their respective market rents in existing state as at 28 February 2023. The Valuation Report is set out in Appendix II to the Circular.

We have reviewed the Valuation Report and interviewed the Valuer for the purpose of making enquiry into (i) the terms of engagement of the Valuer and its independence; (ii) the qualification and experience of the Valuer; (iii) the scope of work of the Valuer’s engagement and whether such scope of work is appropriate to the opinion required; and (iv) any limitations on the Valuer’s scope of work which might adversely impact on the degree of assurance given by the Valuation Report. We are satisfied with such review and assessment in considering the Valuation Report.

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The basis of the valuation on market rent of each of the properties is in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors. The Valuer adopted the market comparison method to arrive at a market rent, which is defined as “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. The Valuer made assumptions that the landlords of the properties have enforceable title to the properties and that there was no serious structural defect to such properties as none was noted in the course of the Valuer’s inspection.

Having reviewed the engagement letter for the appointment of the Valuer and the scope of work as set out in such engagement letter, we are satisfied that the scope of work is sufficient and appropriate for assessing the market rents of the properties upon the renewal of their respective Leasing and Licensing Individual Agreements on or about 1 October 2023, as contemplated under the New Leasing and Licensing Framework Agreement.

The Valuer has also adopted the method of using gathered recent rental transactions for similar or comparable properties and after analysing each of such comparables based on its unit rent, appropriate adjustments have been made to reflect the difference between the properties that will be the subject of the New Leasing and Licensing Framework Agreement and those of the market comparables.

Considering that the professional who signed off on the Valuation Report is an Executive Director and has over 35 years of experience in professional property valuation and advisory services in Hong Kong, we concur with the Valuer’s statement that such professional has sufficient current knowledge of the market, and the skills and understanding to undertake the valuation competently. Following our interview with the Valuer, we are satisfied that there is no reason for us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for use in the Valuation Report.

In light of the aforesaid, we are therefore of the view that the basis and assumptions of the Valuation Report are fair and reasonable and all Leasing and Licensing Transactions to be entered into, having regard to the pricing policy as set out in the New Leasing and Licensing Framework Agreement, and the fact that their basic rents will be comparable to the prevailing market rents as endorsed by the Valuation Report, will be fair and reasonable.

In light of the above, we are of the view that the rent or licence fees of each Leasing and Licensing Transaction will be on normal commercial terms or better to the Group; and the rent or licence fees and other terms of each Leasing and Licensing Transaction shall be determined by arm’s length negotiations taking into account, among others, main factors (where applicable) such as (i) district and vicinity; (ii) business to be carried on at the property; (iii) size, location and condition of the property; (iv) length of the term of the lease or licence; and (v) tenant’s contribution to the mall in which the property is located.

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4. Transaction amounts and annual caps approved

For the six years ended 31 December 2022, the aggregate historical fixed rents or licence fees (after taking into account rent-free periods and rental concessions) and variable lease or licensed payments, short term lease or licensed payments and other fees and expenses paid by members of the Group to HLD and/or its subsidiaries for the Leasing and Licensing Transactions and viewed against their respective approved annual caps are set out below:–

Table C: Historical transaction amounts and annual caps approved for 2017 – 2022

	Year ended 31 December 2017 (HK\$'million)	Year ended 31 December 2018 (HK\$'million)	Year ended 31 December 2019 (HK\$'million)	Year ended 31 December 2020 (HK\$'million)	Year ended 31 December 2021 (HK\$'million)	Year ended 31 December 2022 (HK\$'million)
Fixed dollar amounts of periodic rents or licence fees paid by members of the Group	167.53	167.52	154.91	136.16	152.24	153.24
Variable amounts of lease or licence payments linked to revenue generated from leased or licensed properties, short term lease or licensed payments and other fees and expenses paid by members of the Group	55.41	59.59	55.95	57.61	64.65	70.56
Total paid under the Existing Leasing and Licensing Framework Agreement	222.94	227.11	210.86	193.77	216.89	223.80
Annual cap amount approved	263.00	280.00	296.00	315.00	338.00	351.00
Percentage of under-utilization of the approved annual caps	15%	19%	29%	38%	36%	36%

(Source: Company's annual reports, circular dated 17 October 2014 and the Circular)

The considerable under-utilization of the approved annual caps for the three years ended 31 December 2022 as set out in the table above was mainly due to rental concessions and reduction and to a lesser extent, lower turnover rent, resulting from the COVID-19 pandemic.

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The above table reveals that the under-utilization rates of the approved annual caps were relatively steady at 15% and 19% for 2017 and 2018 respectively but increased to 29% in 2019, when local social unrest had a material and adverse impact on the retail sector. In this regard, we also draw the attention of the Independent Shareholders to the fact that the existing annual caps in the table above were determined, among other things, with a buffer of not exceeding 20% to account for inflation, new leases or licences that may be entered into from time to time under the Existing Leasing and Licensing Framework Agreement and the potential trend of leasing market conditions.

As set out in the Chairman's Statement in the Company's 2022 annual report, the Group's profitability for the year ended 31 December 2022 was adversely affected by (i) the COVID-19 pandemic; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 as a result of the re-alignment of sales mix in its first year of operations. This led to the decrease in "Gross Profit" (Revenue less Direct Costs) from approximately HK\$188 million for the year ended 31 December 2021 to approximately HK\$163 million for the year ended 31 December 2022, as set out in the Consolidated Statement of Profit or Loss section in the Company's 2022 annual report (see the section headed "1. Summary Of Financial Information" in Appendix I to the Circular for website address of such annual report).

The analyses above and the paragraph below nevertheless illustrate that the difficult retail conditions faced by nearly all department store operators in Hong Kong under COVID-19 also adversely affected the Group's business.

The Chairman's Statement in the Company's 2022 annual report also stated that in early 2022, Hong Kong's retail market was hard-hit by the local fifth wave of the COVID-19 pandemic. The stalled inbound tourism, uncertain economic outlook and financial market turmoil continued to weigh on the local retail sector. For 2022 as a whole, the value of total retail sales in Hong Kong decreased by 0.9% compared with a year earlier. In this regard, please also refer to Section 5.4 below which illustrates in more details the impact of the COVID-19 pandemic on all department stores (with and without supermarkets inside) in Hong Kong from 2018 to 2021.

Based on the historical transaction amounts paid under the Existing Leasing and Licensing Framework Agreement and taking into account the abovementioned factors and reasons, we are of the view that the challenging retail conditions faced by the Group over the past three years were the reason for the abovementioned rental concessions, modest or no rent increase, rent free periods and lower turnover rent, which resulted in a lower utilization of the existing annual caps as set out in the tables above for 2019 to 2022. Had it not been due to the outbreak of COVID-19, such existing annual caps would have been better utilized and more in line with their then 20% buffer. Going forward, the existing annual caps and the manner in which they were determined (including their buffer) in our view offer fair and reasonable basis for the determination of the 2023-2026 Leasing and Licensing Transaction Caps as set out in the section below.

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5. The 2023-2026 Leasing and Licensing Transaction Caps

5.1 Accounting implications

Insofar as the Leasing and Licensing Transactions under the New Leasing and Licensing Framework Agreement are concerned, in accordance with HKFRS 16 “Leases”, the Group is required to recognise a right-of-use asset and a lease liability at the date of initial adoption of HKFRS 16 “Leases” in its consolidated statement of financial position. The right-of-use asset represents the right to use the asset for the duration of the lease term and the lease liability reflects the contractual obligation to make basic rent/licence payments by members of the Group entering into the Leasing and Licensing Individual Agreements.

The Company has adopted an estimated incremental borrowing rate of 4.8% for its lease liability calculation and such rate is also set out in Note 24 to the Consolidated Financial Statements in the Company’s 2022 annual report. We have reviewed the basis and assumptions on which the estimated incremental borrowing rate of 4.8% is determined and are of the view that such basis, which reflects the Group’s borrowing costs in a combination of secured and unsecured loans over a range analysis of 1-year tenure and 5-year tenure, is fair and reasonable.

5.2 The Right-of-Use Assets Caps

The proposed Right-of-Use Assets Caps in respect of the Leasing and Licensing Transactions to be entered into during the term of the New Leasing and Licensing Framework Agreement which are subject to the approval by the Independent Shareholders are set out below:

Period	Right-of-Use Assets Cap HK\$ (million)
For the 3-month period commencing on 1 October 2023 and ending on 31 December 2023	538
For the year ending 31 December 2024	122
For the year ending 31 December 2025	122
For the 9-month period commencing on 1 January 2026 and ending on 30 September 2026	122

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5.3 *The 2023-2026 Rental Expense Caps*

The proposed 2023-2026 Rental Expense Caps in respect of the Leasing and Licensing Transactions to be entered into during the term of the New Leasing and Licensing Framework Agreement which are subject to the approval by the Independent Shareholders are set out below:

Period	Rental Expense Cap HK\$ (million)
For the 3-month period commencing on 1 October 2023 and ending on 31 December 2023	30
For the year ending 31 December 2024	115
For the year ending 31 December 2025	140
For the year ending 31 December 2026	128

Please also refer to the “Letter From The Board” on why, notwithstanding the term of the New Leasing and Licensing Framework Agreement is only for three years, the setting of Rental Expense Caps for six years is required while the 2027-2029 Rental Expenses Transactions are exempt from the Circular and the Independent Shareholders’ approval requirements.

5.4 *Basis for determining the 2023-2026 Leasing and Licensing Transaction Caps*

The proposed 2023-2026 Leasing and Licensing Transaction Caps have been determined after taking into account:

- (i) the historical fixed dollar amount of periodic rents or licence fees and historical turnover rents and other fees and expenses paid under the Existing Leasing and Licensing Framework Agreement and to independent third party landlords for similar transactions;
- (ii) the expected renewal of the existing leases and licences granted under the Existing Leasing and Licensing Framework Agreement which are due to expire on 30 September 2023, and the preliminary views of an independent valuer on the market rents and licence fees of the relevant premises;
- (iii) the estimated turnover for the relevant premises in respect of which turnover rents may be payable;
- (iv) the current business development and expansion plan of the Group in the forthcoming years involving the opening of new supermarkets, department stores and household specialty stores, and the corresponding possibility of the entering into of new leases and licences with the HLD Group in relation thereto;

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- (v) the premises of the HLD Group which could be available for leasing or licensing to the relevant members of the Group in the future;
- (vi) market comparables obtained from the Land Registry of Hong Kong, enquiries with valuers or property agencies; and
- (vii) a reasonable buffer not exceeding 15% to cater for rent reviews and adjustments, taking into account estimated increases in other fees and expenses (allowing for inflation and increase of labour and other costs) as well as market improvement in the future which might result in year-on-year increases in sales and hence turnover rents.

In assessing whether the proposed 2023-2026 Leasing and Licensing Transaction Caps have been determined on bases and assumptions which are fair and reasonable, we have discussed with the management of the Group and reviewed its calculations on the proposed 2023-2026 Leasing and Licensing Transaction Caps, in particular, the aforesaid 15% buffer. We have also reviewed the information released by the Government of the HKSAR on the impact of the COVID-19 pandemic on local department stores' businesses as well as supermarket operations and the generally expected timing of recovery by the retail market.

In this regard, we have noted the statistics for all department stores in Hong Kong (with or without supermarkets inside) published by the Census and Statistics Department of the Government of the HKSAR in December 2022 which clearly illustrate the difficult trading conditions that department stores (with or without supermarkets inside) in Hong Kong faced under the COVID-19 epidemic since 2020 and social unrest in 2019: whilst total sales declined by 33% from HK\$58,536 million in 2018 to HK\$39,083 million in 2021, total gross surplus (after deducting compensation of employees, operating expenses and cost of goods sold from total sales) declined by 94% from HK\$6,140 million in 2018 to HK\$347 million in 2021.

Notwithstanding such difficult trading conditions, a spokesman from the Government of the HKSAR issued a press release dated 3 February 2023 stating that total retail sales reverted to a year-on-year increase of 1.1% in December 2022 alongside improved economic sentiment and further relaxation of social distancing measures. For the fourth quarter as a whole, there was a small increase of 0.4% in such retail sales. We take the view that these are reasonable recovery signs for an optimistic outlook for local retail sales in general, as we go forward on a post-epidemic and recovery basis.

Accordingly, the 15% buffer adopted by the Company to cater for rent reviews and adjustments, taking into account estimated increases in other fees and expenses (allowing for inflation and increase of labour and other costs) as well as market improvement in the future which might result in year-on-year increases in sales and hence turnover rents are fair and reasonable business assumptions for the Group's operations.

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Given that a buffer of not exceeding 20% was used in determining the existing annual caps in order to account for, among others, inflation and new leases or licences that may be entered into from time to time, the expected return of economic activities from the epidemic to normalcy and an expected increase in inbound visitors (which should bode well for retail sales performance), we are therefore of the view that the 15% buffer for the proposed 2023-2026 Leasing and Licensing Transaction Caps and the need for such cap amounts are fair and reasonable.

6. Internal control procedures

The indicative principal terms of the proposed Leasing and Licensing Individual Agreements with terms commencing on 1 October 2023 are summarised on pages 13 to 17 in the “Letter From The Board”. The terms of each Leasing and Licensing Individual Agreement made under the New Leasing and Licensing Framework Agreement will be determined according to the following procedures:

- (i) the relevant members of the Group and the relevant members of the HLD Group shall enter into arms’ length negotiations with respect to each Leasing and Licensing Transaction, with due regard to the pricing policy as set out in the New Leasing and Licensing Framework Agreement, including the rents or licence fees, and other terms being subject to the particular circumstances of the proposed transactions; and
- (ii) in respect of renewal of an existing lease or licence by the exercise of option, unless agreed otherwise by the relevant parties and subject to the provisions of the New Leasing and Licensing Framework Agreement, the terms and conditions for the exercise of the option will be followed.

The relevant department of the Company will periodically review the Leasing and Licensing Individual Agreements and the Leasing and Licensing Transactions and monitor the utilisation of the annual caps to ensure compliance with the terms of the New Leasing and Licensing Framework Agreement.

We have reviewed the Existing Leasing and Licensing Framework Agreement and have noted that its key principal terms and pricing policy are similar to that under the New Leasing and Licensing Framework Agreement, in particular, the following terms and pricing policy:–

- (A) Each leasing and licensing transactions under the Existing Leasing and Licensing Framework Agreement shall be:–
 - (i) on normal commercial terms to be determined by reference to prevailing market terms;
 - (ii) in the ordinary and usual course of business of the relevant member of the Group; and

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- (iii) comparable to the rates at which the relevant members of the HLD Group lease or license the use of similar premises to other tenants or licensees, who are independent third parties, at or around the relevant time, and shall be on terms which are no less favourable to the Group than those offered by members of the HLD Group to existing tenants or licensees of the similar premises which are independent third parties.

- (B) The pricing policy for the aforesaid tenancy or licensing arrangements shall have regard to factors such as the district, vicinity, size and location of the premises concerned, the business to be carried on at such premises, the proposed length of the term of the lease or licence, as well as possible contribution, if any, of the potential tenant to the building or shopping mall in which such relevant premises are located. Such factors shall be with reference to market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with valuers or property agencies.

Insofar as the above current pricing policy is concerned, we have reviewed sample Leasing and Licensing Individual Agreements both provided by the management of the Company and randomly selected by us that were entered into under the Existing Leasing and Licensing Framework Agreement, and viewed them against their respective supporting fair rent valuation documents provided by the management of the Company. The aforesaid number of Leasing and Licensing Individual Agreements reviewed by us relate to a total of 8 out of the 15 premises set out in the “Letter From The Board” and they are all current agreements. Further, the Leasing and Licensing Individual Agreements randomly selected by us represent some of the largest basic rents currently payable. Hence, we are of the view that such sample sizes, in terms of both number of premises and dollar sums, are adequate. Having made such review, we are of the opinion that the rent or licence fees payable under each of such sample tenancy agreements was properly supported by a fair rent valuation report or a written opinion from an independent property valuer, using market comparables obtained from, among other sources, the Land Registry of Hong Kong.

We have also sought and reviewed documents in relation to the following requirements under the Listing Rules with respect to the Existing Leasing and Licensing Framework Agreement:—

- (i) For each of the three years ended 31 December 2020, 2021 and 2022, copies of the information packages sent to independent non-executive Directors of the Company for their review and approval of the then continuing connected leasing and licensing transactions under the Existing Leasing and Licensing Framework Agreement, details of which were set out in the annual reports of the Company, pursuant to Rule 14A.55 of the Listing Rules; and

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- (ii) Copies of the report letters to the Board (and copied to the Stock Exchange) for each of the three years ended 31 December 2020, 2021 and 2022 from the auditor of the Company regarding its review reports on the aforesaid continuing connected leasing and licensing transactions pursuant to Rule 14A.56 of the Listing Rules.

Having reviewed the above supporting documents, we are of the opinion that these existing internal control procedures have been adhered to, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore take the view that going forward, the terms of each Leasing and Licensing Individual Agreement to be entered into will also be determined according to the abovementioned internal control procedures, which are designed to protect the interests of the Independent Shareholders. We are therefore of the view that such internal control procedures are also fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Possible financial effects as a result of entering into of the Leasing and Licensing Transactions

The financial effects of the transactions contemplated under the New Leasing and Licensing Framework Agreement during the Annual Cap Periods would be as follows:

7.1 Effect on assets and liabilities of the Group

The Group's total consolidated assets are estimated to increase by approximately HK\$465 million on 1 October 2023 upon initial recognition of the right-of-use assets as a result of the Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 referred to above. If and when other lease agreements are entered into under the New Leasing and Licensing Framework Agreement, the Group's total consolidated assets will increase upon initial recognition of the right-of-use assets arising as a result thereof.

The Group's total consolidated liabilities are estimated to increase by approximately HK\$465 million on 1 October 2023 upon initial recognition of the lease liabilities as a result of the Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 referred to above. If and when other lease agreements are entered into under the New Leasing and Licensing Framework Agreement, the Group's total consolidated liabilities will increase upon initial recognition of the lease liabilities arising as a result thereof.

Whilst each of the Group's total consolidated assets and liabilities will be increased by approximately HK\$465 million on 1 October 2023, the Group's consolidated net asset value will remain the same, initially as at 1 October 2023. Table B above summarises the historical right-of-use assets and lease liabilities recognised by the Group and viewed them against the total assets and total liabilities of the Group as set out in its consolidated statement of financial positions as at 31 December 2022, 2021 and 2020 respectively. The section headed

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“2. Statement of Indebtedness” in Appendix I to the Circular discloses that the Group’s total lease liabilities (both current and non-current) recognised under HKFRS 16 “*Leases*” amounted to approximately HK\$680 million as at 31 March 2023.

7.2 Effect on earnings of the Group

The annual depreciation charge on the right-of-use assets during the initial three-year terms of the Leasing and Licensing Individual Agreements commencing on 1 October 2023 referred to above is estimated to be approximately HK\$170 million per annum. If other lease agreements are entered into under the New Leasing and Licensing Framework Agreement, depreciation charges on the right-of-use assets during the terms of such leases will also be recognised by the Group.

Finance costs on the lease liabilities are currently determined and recognised on the basis of the Group’s estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liabilities, adjusted for lease modification/reassessment of the lease term (if any) and after deducting the periodic lease payments.

Both the depreciation charges on the right-of-use assets and the finance costs on the lease liabilities will have the aggregate effect of decrease on the Group’s earnings.

We are of the view that given the business nature of the Group’s department store and supermarket operations, the leasing of physical premises for its operation is necessary and the accounting treatment under HKFRS 16 “*Leases*” and the resulting impact on assets, liabilities and earnings of the Group should be considered as necessary.

8. Reasons for and benefits of the entering into of the New Leasing and Licensing Framework Agreement

The reasons for and benefits of the entering into of the New Leasing and Licensing Framework Agreement as set out in the “Letter From The Board” are summarised below:–

- (i) The Group has been operating supermarkets, department stores and household specialty stores at premises owned by the HLD Group for many years. Those premises are all located in prime locations of various districts in Hong Kong. Relocation of such supermarkets and stores would impact adversely upon the stability of the business of the Group, and also lead to the incurring of significant costs for renovation of new premises; and
- (ii) The entering into of the New Leasing and Licensing Framework Agreement is in the best interest of the Company, given that the New Leasing and Licensing Framework Agreement would accommodate the existing and future Leasing and Licensing Transactions between the Group and the HLD Group under a common framework agreement, allowing members of the Group to enter into Leasing and Licensing Transactions with members of the HLD Group from time to time within such framework without the need for the Company to further comply with announcement

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and/or independent shareholders' approval requirements on each of such occasions. This would provide the Group with the flexibility and cost effectiveness to make use of opportunities to lease or take up licence of commercial premises of the HLD Group for its operations.

The Directors (including the independent non-executive Directors) therefore consider that the New Leasing and Licensing Framework Agreement and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and their terms and the Leasing and Licensing Transaction Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In formulating our opinion on the aforesaid reasons/benefits and the views of the Directors, we have taken into consideration the following:

- (A) The store locations in Tsuen Wan, Yuen Long, Ma On Shan, Tuen Mun and Tseung Kwan O where their respective Leasing and Licensing Individual Agreements with terms commencing on 1 October 2023 as set out in the "Letter From The Board" are prime locations for the Group to continue to operate its department store, supermarket and household specialty store operations at such terms and rental rates which will be on normal commercial terms or better to the Group, based on the Valuation Report;
- (B) Having reviewed the randomly selected sample tenancy agreements of the aforesaid premises, we noted that given that such premises are used to operate department store and supermarket, the Group had over the past years incurred considerable capital expenditures to carry out specific decoration and fitting out works to such premises to enable the premises to be fitted out and completed for operating such stores in a style and storefront design appropriate to the shopping mall at such locations. Such major decoration and fitting out works include (but not limited to):–
 - (i) extensive fitting out, alteration and re-decoration specifications for all interior layout, decorations, ceiling, fittings, installations, partitionings and floor loading/coverings;
 - (ii) alteration and addition works to the electrical, mechanical, plumbing/drainage, fire service and other buildings services and regulatory approvals from the relevant government departments; and
 - (iii) installing own chiller plants for air-conditioning exclusively for the premises.

We therefore concur with the Directors that relocation of such supermarkets and stores would impact adversely upon the stability of the business of the Group, and would also lead to the incurring of significant costs for renovation of new premises;

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- (C) The rent payable will be determined with reference to market rentals of the premises endorsed by the Valuation Report and following arm's length negotiations taking into account main factors such as district, business nature, size, location, length of lease term and contribution as tenant to existing mall etc., and this will protect the interests of the Company and its Shareholders as a whole as the Group's department store and supermarket operations would not be subject to unwanted relocation due to excessive rental increase;
- (D) The Group's retail footprint at Tsuen Wan, Yuen Long, Tuen Mun and Tseung Kwan O are part of the initial nine large-scale new town developments in the New Territories, as a result of new town planning by the Town Planning Board. Given the housing shortage in Hong Kong, a number of new developments are under various stages of development or study by the Town Planning Board. The HLD Group, being a leading developer in Hong Kong, is at the forefront of undertaking large-scale residential projects at new town planning developments and the Group is in a unique position to capitalize on this initiative. In particular, the Group is uniquely positioned to align its store openings, products offerings and pricing points to the emerging demographic trends of such new residential developments, under the flexibility offered by the New Leasing and Licensing Framework Agreement; and
- (E) As set out in the section headed "5. Financial and Trading Prospects of the Group" in Appendix I to the Circular, with almost all social distancing measures and travel restrictions being removed, the Group will seize business opportunities and roll out various initiatives to offer a better shopping experience to customers. Over the years, efforts have been made to integrate the businesses of Citistore HK and Unicorn. The centralised distribution centre has become fully operational, expanding the operational capabilities of the Group's supply chain. The Group will continue to pursue centralised procurement to save costs and increase the proportion of proprietary brands. The New Leasing and Licensing Framework Agreement will better enable such initiatives to be undertaken by the Group, given that uncertainties and disruptions arising from unwanted and costly store relocation could be avoided.

Having considered all the above reasons and benefits, in particular, the need to maintain the existing department stores, supermarkets and household specialty stores footprint, we concur with the aforesaid views of the Directors on the New Leasing and Licensing Framework Agreement.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that:–

- (i) the entering into of the New Leasing and Licensing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and its Shareholders as a whole;
- (ii) the terms of the New Leasing and Licensing Framework Agreement and the Leasing and Licensing Transactions contemplated thereunder are fair and reasonable and on normal commercial terms or better to the Group;
- (iii) the rent or licence fees and other terms of each Leasing and Licensing Transaction will be determined by arm's length negotiations taking into account, among others, main factors (where applicable) such as (a) district and vicinity of the property; (b) the business to be carried on at the property; (c) the size, location and condition of the property; (d) the length of the term of the lease or licence; and (e) the possible contribution, if any, of the tenant or licensee, to the shopping mall in which the property is located, including with reference to, where applicable, terms offered by the HLD Group to existing or potential tenants or licensees of premises within the relevant building or shopping mall or premises similar to the property concerned and market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with valuers or property agencies; and
- (iv) the proposed 2023-2026 Leasing and Licensing Transaction Caps are fair and reasonable.

We therefore recommend the Independent Shareholders to vote in favour of the resolution approving the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps at the EGM.

Yours faithfully,

for and on behalf of

Centurion Corporate Finance Limited

Baldwin LEE

Managing Director

(Note: Centurion Corporate Finance Limited is registered with the SFC and is licensed under types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance. Mr. Baldwin Lee, the author of this letter of independent advice, has over 30 years of experience in investment banking and corporate finance. He has been the managing director of our firm since 1994. Prior to his present posting, he was a director at Sun Hung Kai International Limited, the investment banking arm of Sun Hung Kai & Co. Limited. Prior to his return to Hong Kong in early 1991 from Canada, he was a corporate finance professional at the Toronto's head office of Walwyn Stodgell Cochran Murray Limited, an investment banking firm in Canada. He holds an M.B.A. degree and a B. Comm. Degree from Canadian universities and he is also a Fellow member of the Institute of Canadian Bankers and a Senior Fellow member of the Hong Kong Securities and Investment Institute.)

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 December 2022 are disclosed in the following documents, which are incorporated by reference into this circular:

- (i) annual report of the Company for the year ended 31 December 2020 (pages 82-131), which can be accessed via the link at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301261.pdf>
- (ii) annual report of the Company for the year ended 31 December 2021 (pages 86-135), which can be accessed via the link at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101154.pdf>
- (iii) annual report of the Company for the year ended 31 December 2022 (pages 90-147), which can be accessed via the link at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042101027.pdf>

The said annual reports of the Company are also available on the Company's website at www.hilhk.com.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this statement of indebtedness prior to the printing of this circular, the lease liabilities of the Group recognised under HKFRS 16 *Leases* were approximately HK\$680 million and comprised the following:

- (i) an amount of HK\$192 million having contractual maturity within one year, as classified under current liabilities; and
- (ii) an amount of HK\$488 million having contractual maturity after one year, as classified under non-current liabilities.

Save as aforesaid and apart from normal trade and other payables in the ordinary course of business, the Group did not have any debt securities, term loans, outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances, or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the financial effects of the transactions contemplated under the New Leasing and Licensing Framework Agreement and the aggregate financial effects of the transactions contemplated under the New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement (as defined and referred to in the announcement

of the Company dated 19 April 2023), and considering the financial resources available to the Group which include, but not limited to, the expected cashflows from the Group's operations and the Group's available cash and bank balances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is at least for the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

Reference is made to the Company's annual report for the year ended 31 December 2022 which contains, inter alia, the Group's consolidated financial statements for the year ended 31 December 2022 regarding the Group's financial performance for the year ended 31 December 2022 together with the related information included therein. In addition, the ongoing phased renovation works of the APITA supermarket-cum-store at Taikoo Shing, Hong Kong Island will continue to cause disruptions to the business operations of Unicorn stores, and hence an adverse impact on the Group's business operations as a whole.

As at the Latest Practicable Date, save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's financing and treasury activities are centrally managed at the corporate level. As at 31 December 2022, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. Given its strong financial position, the Group had no bank borrowings (2021: Nil) and its cash and bank balances amounted to HK\$260 million at 31 December 2022 (2021: HK\$360 million).

With almost all social distancing measures and travel restrictions being removed, the Group will seize business opportunities and roll out various initiatives to offer a better shopping experience to customers. Citistore HK will launch a new "mobile POS" system so as to further streamline customers' payment process, whilst Unicorn will continue the phased renovations for APITA and revamp its supermarket.

Over the years, efforts have been made to integrate the businesses of Citistore HK and Unicorn. The centralised distribution centre has become fully operational, expanding the operational capabilities of the Group's supply chain. The Group will continue to pursue centralised procurement to save costs and increase the proportion of proprietary brands, as well as fresh food products from Japan, so as to achieve brand differentiation. In addition, leveraging the strengths of the integrated membership programme (namely, "CU APP"), the Group will strengthen the cross promotions between Citistore HK and Unicorn and upgrade their online shopping platforms, with the goal of achieving full integration of both online and offline operations.

The following is the text of a letter and the valuation report dated 25 April 2023 prepared by Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion on the market rents of the premises proposed to be leased or licensed by the relevant members of the Group from the relevant members of the HLD Group with the terms thereof commencing on 1 October 2023, which has been prepared for the purpose of incorporation in this circular.



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

25 April 2023

The Board of Directors

Henderson Investment Limited

72-76/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTIONS, PURPOSE & VALUATION DATE

We refer to the instruction from Henderson Investment Limited (the “**Company**”) for us to provide our opinion of the market rents of the properties as listed in the Summary of Valuations (the “**Properties**”) in Hong Kong for the purpose of public disclosure in relation to certain Connected Transactions and for inclusion in the shareholders’ circular (the “**Circular**”) issued by the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). 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 valuations as at 28 February 2023 (the “**Valuation Date**”).

BASIS OF VALUATION

Our valuation of the market rent of each of the Properties represents its market rent 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 interest in real property should

be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

We confirm that our valuations comply with the requirements set out in Chapter 5 of the Listing Rules and the HKIS Valuation Standards 2020 Edition issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuation of the market rent excludes an estimated rent inflated or deflated by special terms, considerations or concessions granted by anyone associated with the letting, or any element of special value available only to a specific lessor or lessee.

Our valuations have been made on the assumption that the lessors lease the Properties on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the market rents of the Properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting 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 market rents.

METHOD OF VALUATION

In valuing the market rents of the Properties, we have adopted the market comparison method. We have gathered recent rental transactions and made comparison with the Properties. After analysing each comparable based on its unit rent, appropriate adjustments have been made to reflect the differences between the Properties and the comparables.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as identification of the Properties, particulars of occupancy, floor plans, floor areas, lease details and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. We have not carried out on-site measurements to verify the correctness of the areas of the Properties.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the Properties but have caused searches to be made at the Land Registry. In the course of our valuation, we have assumed that the owner of the Properties have an enforceable title to the Properties and have free and uninterrupted rights to use, occupy, assign or lease the Properties for the whole or part of the unexpired term as granted.

SITE INSPECTION

Our valuers, Terrence Lai (MHKIS), Ross Chan (MHKIS) and Nicola Leung (Probationer of HKIS) inspected the exterior and wherever possible, the interior of the Properties in March 2023. 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. Our valuation is prepared on the assumption that these aspects are satisfactory.

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.

NON-PUBLICATION & SAVINGS CLAUSE

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear, save and except for the disclosure of this report and its contents in the Circular under the Listing Rules.

Finally and in accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents, save and except for the disclosure of this report and its contents in the Circular under the Listing Rules.

REPORT

We enclose herewith a summary of valuations and our valuation report 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 Member of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor who has over 35 years of experience in the professional property valuation and advisory in Hong Kong. Mr. Wong has sufficient current notional knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property	Market rent in existing state as at 28 February 2023 (HK\$ per month, exclusive of government rent, rates, management fees and utilities charges)
1. Shop Nos. G9-G12 on Ground Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories	280,000
2. Shop No. G17 on Ground Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories	80,000
3. Shop Nos. G18A, G18B, G19-G23 on Ground Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories	450,000
4. Shop Nos. G13-G16 and G24-G29 on Ground Floor, Whole of 1st Floor, Portion of 2nd Floor, Remaining Portion of 2nd Floor and Shop Nos. 301-303 on 3rd Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories	4,630,000
5. Shop Nos. 1-3, 31-42 and 45-49 on 2nd Floor, KOLOUR • Yuen Long, 36-46 Tai Tong Road, 1 Kau Yuk Road, Yuen Long, New Territories	400,000
6. Whole of 3rd and 4th Floors, KOLOUR • Yuen Long, 36-46 Tai Tong Road, 1 Kau Yuk Road, Yuen Long, New Territories	1,590,000

	Market rent in existing state as at 28 February 2023 (HK\$ per month, exclusive of government rent, rates, management fees and utilities charges)
Property	
7. Shop No. 2109 on Level 2, MOSTown, 18 On Luk Street, Ma On Shan, Shatin, New Territories	226,000
8. Shop No. 3101 on Level 3, MOSTown, 18 On Luk Street, Ma On Shan, Shatin, New Territories	1,734,000
9. Shop Nos. 2047-2051 on Level 2, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	970,000
10. Shop Nos. 2052-2053 on Level 2, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	320,000
11. Shop Nos. 2054-2056 on Level 2, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	280,000
12. Portion of Level 3 (Shop Nos. 1 to 35 on Level 3), North Wing, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories	1,000,000

Property	Market rent in existing state as at 28 February 2023 (HK\$ per month, exclusive of government rent, rates, management fees and utilities charges)
13. Whole of 8th Floor and 9th Floor, KOLOUR • Tsuen Wan I, 68 Chung On Street, Tsuen Wan, New Territories	601,000
14. Whole of Basement 1 Floor, KOLOUR • Yuen Long, 36-46 Tai Tong Road, 1 Kau Yuk Road, Yuen Long, New Territories	1,372,000
15. Shop No. UG036 on Upper Ground Floor, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	1,400,000
Total:	<hr/> 15,333,000 <hr/>

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
<p>1. Shop Nos. G9-G12 on Ground Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories</p> <p>Part of the shares of and in Tsuen Wan Town Lot No. 301</p>	<p>KOLOUR • Tsuen Wan II is a 4-storey shopping arcade upon which two 29-storey residential blocks are erected. The development was completed in 1989.</p> <p>The property comprises 4 shop units on the ground floor and has a total lettable floor area of approximately 1,893 sq.ft. (175.86 sq.m.).</p> <p>The property is held from the Government under New Grant No. 6582 for a term commencing from 17 July 1986 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	<p>As at the Valuation Date, the property was leased to and occupied by the Company.</p>	<p>HK\$280,000 (HONG KONG DOLLARS TWO HUNDRED AND EIGHTY THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges</p> <p>(see Note (2) below)</p>

Notes:

- (1) The registered owners of the property are Millap Limited (74/100th shares) and Easefine Development Limited (26/100th shares) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A) 13” purpose under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/35 dated on 8 February 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
2. Shop No. G17 on Ground Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories Part of the shares of and in Tsuen Wan Town Lot No. 301	KOLOUR • Tsuen Wan II is a 4-storey shopping arcade upon which two 29-storey residential blocks are erected. The development was completed in 1989. The property comprises a shop unit on the ground floor and has a lettable floor area of approximately 547 sq.ft. (50.82 sq.m.). The property is held from the Government under New Grant No. 6582 for a term commencing from 17 July 1986 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$80,000 (HONG KONG DOLLARS EIGHTY THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges <i>(see Note (2) below)</i>

Notes:

- (1) The registered owners of the property are Millap Limited (74/100th shares) and Easefine Development Limited (26/100th shares) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A) 13” purpose under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/35 dated on 8 February 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
3. Shop Nos. G18A, G18B, G19-G23 on Ground Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories Part of the shares of and in Tsuen Wan Town Lot No. 301	KOLOUR • Tsuen Wan II is a 4-storey shopping arcade upon which two 29-storey residential blocks are erected. The development was completed in 1989. The property comprises 7 shop units on the ground floor and has a total lettable floor area of approximately 2,951 sq.ft. (274.15 sq.m.). The property is held from the Government under New Grant No. 6582 for a term commencing from 17 July 1986 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$450,000 (HONG KONG DOLLARS FOUR HUNDRED AND FIFTY THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges <i>(see Note (2) below)</i>

Notes:

- (1) The registered owners of the property are Millap Limited (74/100th shares) and Easefine Development Limited (26/100th shares) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A) 13” purpose under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/35 dated on 8 February 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
<p>4. Shop Nos. G13-G16 and G24-G29 on Ground Floor, Whole of 1st Floor, Portion of 2nd Floor, Remaining Portion of 2nd Floor and Shop Nos. 301-303 on 3rd Floor, KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories</p> <p>Part of the shares of and in Tsuen Wan Town Lot No. 301</p>	<p>KOLOUR • Tsuen Wan II is a 4-storey shopping arcade upon which two 29-storey residential blocks are erected. The development was completed in 1989.</p> <p>The property comprises various shop units on the ground floor, 1st, 2nd and 3rd floors and has a total lettable floor area of approximately 133,469 sq.ft. (12,399.57 sq.m.).</p> <p>The property is held from the Government under New Grant No. 6582 for a term commencing from 17 July 1986 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	<p>As at the Valuation Date, the property was leased to and occupied by the Company.</p>	<p>HK\$4,630,000 (HONG KONG DOLLARS FOUR MILLION SIX HUNDRED AND THIRTY THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges</p> <p>(see Note (2) below)</p>

Notes:

- (1) The registered owners of the property are Millap Limited (74/100th shares) and Easefine Development Limited (26/100th shares) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A) 13” purpose under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/35 dated on 8 February 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
5. Shop Nos. 1-3, 31-42 and 45-49 on 2nd Floor, KOLOUR • Yuen Long, 36-46 Tai Tong Road, 1 Kau Yuk Road, Yuen Long, New Territories	KOLOUR • Yuen Long comprises a 5-storey plus a 2-level basement (the lowest level of the basement provides 51 car parking spaces) shopping arcade completed in 1994. The property comprises 20 shop units on the 2nd floor and has a total lettable floor area of approximately 6,882 sq.ft. (639.35 sq.m.). The property is held from the Government under New Grant No. 3913 for a term commencing from 14 November 1989 and expiring on 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.	As at the Valuation Date, the Property was leased to and occupied by the Company.	HK\$400,000 (HONG KONG DOLLARS FOUR HUNDRED THOUSAND) per month, exclusive of government rent, rates, management fees and utility charges (see Note (2) below)
Part of the shares of and in Yuen Long Town Lot No. 464			

Notes:

- (1) The registered owners of the property are Shung King Development Company Limited (68.4%) and Evercot Enterprise Company Limited (31.6%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A)” purposes under the Draft Yuen Long Outline Zoning Plan No. S/YL/26 dated 6 January 2023.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
6. Whole of 3rd and 4th Floors, KOLOUR • Yuen Long, 36-46 Tai Tong Road, 1 Kau Yuk Road, Yuen Long, New Territories	KOLOUR • Yuen Long comprises a 5-storey plus a 2-level basement (the lowest level of the basement provides 51 car parking spaces) shopping arcade completed in 1994.	As at the Valuation Date, the Property was leased to and occupied by the Company.	HK\$1,590,000 (HONG KONG DOLLARS ONE MILLION FIVE HUNDRED AND NINETY THOUSAND)
Part of the shares of and in Yuen Long Town Lot No. 464	The property comprises the 3rd and 4th floors and has a total lettable floor area of approximately 47,927 sq.ft. (4,452.53 sq.m.). The property is held from the Government under New Grant No. 3913 for a term commencing from 14 November 1989 and expiring on 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.		per month, exclusive of government rent, rates, management fees and utility charges (see Note (2) below)

Notes:

- (1) The registered owners of the property are Shung King Development Company Limited (68.4%) and Evercot Enterprise Company Limited (31.6%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A)” purposes under the Draft Yuen Long Outline Zoning Plan No. S/YL/26 dated 6 January 2023.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
7. Shop No. 2109 on Level 2, MOSTown, 18 On Luk Street, Ma On Shan, Shatin, New Territories	MOSTown is a 4-storey plus basement commercial/car parking/garden podium upon which eight residential blocks are erected. The development was completed in 1994.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$226,000 (HONG KONG DOLLARS TWO HUNDRED AND TWENTY SIX THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges
Part of the shares of and in Sha Tin Town Lot No. 307	The property comprises a shop unit on Level 2 and has a lettable floor area of approximately 3,360 sq.ft. (312.15 sq.m.). The property is held from the Government under New Grant No. 12291 for a term commencing from 2 February 1990 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Shung King Development Company Limited (54.7%), Evercot Enterprise Company Limited (29.2%) and Millap Limited (16.1%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for "Residential (Group A)7" purpose under the Draft Ma On Shan Outline Zoning Plan No. S/MOS/25 dated on 30 December 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
8. Shop No. 3101 on Level 3, MOSTown, 18 On Luk Street, Ma On Shan, Shatin, New Territories	MOSTown is a 4-storey plus basement commercial/car parking/garden podium upon which eight residential blocks are erected. The development was completed in 1994.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$1,734,000 (HONG KONG DOLLARS ONE MILLION SEVEN HUNDRED AND THIRTY FOUR THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges
Part of the shares of and in Sha Tin Town Lot No. 307	The property comprises a shop unit on Level 3 and has a lettable floor area of approximately 62,340 sq.ft. (5,791.53 sq.m.). The property is held from the Government under New Grant No. 12291 for a term commencing from 2 February 1990 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Shung King Development Company Limited (54.7%), Evercot Enterprise Company Limited (29.2%) and Millap Limited (16.1%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A)7” purpose under the Draft Ma On Shan Outline Zoning Plan No. S/MOS/25 dated on 30 December 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
9. Shop Nos. 2047-2051 on Level 2, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	MCP Central is a 4-storey shopping arcade upon which eleven residential blocks are erected. The development was completed in 1999.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$970,000 (HONG KONG DOLLARS NINE HUNDRED AND SEVENTY THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges
Part of the shares of and in Tseung Kwan O Town Lot No. 27	The property comprises 5 shop units on Level 2 and has a total lettable floor area of approximately 42,680 sq.ft. (3,965.07 sq.m.).		
	The property is held under New Grant No. 8373 for a term commencing from 27 July 1994 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Evercot Enterprise Company Limited (45.54%), Shung King Development Company Limited (39.57%), Millap Limited (4.51%), Egeria Investment Limited (0.14%), and Join Fortune Development Limited (10.24%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Other Specified Uses (Commercial/Residential Development with Public Transport Interchange)” purpose under the Approved Tseung Kwan O Outline Zoning Plan No. S/TKO/28 dated on 1 June 2021.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
10. Shop Nos. 2052-2053 on Level 2, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	MCP Central is a 4-storey shopping arcade upon which eleven residential blocks are erected. The development was completed in 1999.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$320,000 (HONG KONG DOLLARS THREE HUNDRED AND TWENTY THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges
Part of the shares of and in Tseung Kwan O Town Lot No. 27	The property comprises 2 shop units on Level 2 and has a total lettable floor area of approximately 12,893 sq.ft. (1,197.79 sq.m.).		
	The property is held under New Grant No. 8373 for a term commencing from 27 July 1994 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Evercot Enterprise Company Limited (45.54%), Shung King Development Company Limited (39.57%), Millap Limited (4.51%), Egeria Investment Limited (0.14%), and Join Fortune Development Limited (10.24%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Other Specified Uses (Commercial/Residential Development with Public Transport Interchange)” purpose under the Approved Tseung Kwan O Outline Zoning Plan No. S/TKO/28 dated on 1 June 2021.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
11. Shop Nos. 2054-2056 on Level 2, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	MCP Central is a 4-storey shopping arcade upon which eleven residential blocks are erected. The development was completed in 1999.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$280,000 (HONG KONG DOLLARS TWO HUNDRED AND EIGHTY THOUSAND)
Part of the shares of and in Tseung Kwan O Town Lot No. 27	The property comprises 3 shop units on Level 2 and has a total lettable floor area of approximately 12,703 sq.ft. (1,180.14 sq.m.).		per month exclusive of government rent, rates, management fees and utilities charges
	The property is held under New Grant No. 8373 for a term commencing from 27 July 1994 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Evercot Enterprise Company Limited (45.54%), Shung King Development Company Limited (39.57%), Millap Limited (4.51%), Egeria Investment Limited (0.14%), and Join Fortune Development Limited (10.24%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for "Other Specified Uses (Commercial/Residential Development with Public Transport Interchange)" purpose under the Approved Tseung Kwan O Outline Zoning Plan No. S/TKO/28 dated on 1 June 2021.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
<p>12. Portion of Level 3 (Shop Nos. 1 to 35 on Level 3), North Wing, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories</p> <p>Part of the shares of and in Tuen Mun Town Lot No. 282</p>	<p>Trend Plaza comprises three levels of arcade shops, the external walls, 78 car parking spaces in the basement and 64 bicycle parking spaces on Level One of two shopping podiums upon which five 25 to 26-storey residential blocks are erected. The development was completed in 1988.</p> <p>The property comprises 35 shop units on Level 3 of North Wing and has a total lettable floor area of approximately 17,683 sq.ft. (1,642.79 sq.m.).</p> <p>The property is held from the Government under New Grant No. 2761 for a term of 99 years less the last 3 days commencing from 1 July 1898 which has been statutorily extended 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>	<p>As at the Valuation Date, the Property was leased to and occupied by the Company.</p>	<p>HK\$1,000,000 (HONG KONG DOLLARS ONE MILLION) per month, exclusive of government rent, rates, management fees and utility charges</p> <p><i>(see Note (2) below)</i></p>

Notes:

- (1) The registered owner of the property is Easeluck Development Limited.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for "Residential (Group A)9" purposes under the Draft Tuen Mun Outline Zoning Plan No. S/TM/36 dated 22 July 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
13. Whole of 8th Floor and 9th Floor, KOLOUR • Tsuen Wan I, 68 Chung On Street, Tsuen Wan, New Territories	KOLOUR • Tsuen Wan I comprises a 25-storey commercial building with a 2-storey basement car park completed in 1996. Ground floor to sixth floors provide shop units whereas 8th to 24th floors accommodate office units.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$601,000 (HONG KONG DOLLARS SIX HUNDRED AND ONE THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges
Part of the shares of and in Tsuen Wan Town Lot No. 328	The property comprises the whole office space on 8th and 9th floors and has a total gross floor area of approximately 22,724 sq.ft. (2,111.11 sq.m.). The property is held from the Government under New Grant No. 6883 for a term commencing from 7 August 1992 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Shung King Development Company Limited (5394/10000th shares), Join Fortune Development Limited (2102/10000th shares), The Yin Nin Savings, Mortgage Loan and Land Investment Company Limited (2504/10000th shares) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A) 13” purpose under the Approved Tsuen Wan Outline Zoning Plan No. S/TW/35 dated on 8 February 2022.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
14. Whole of Basement 1 Floor, KOLOUR • Yuen Long, 36-46 Tai Tong Road, 1 Kau Yuk Road, Yuen Long, New Territories	KOLOUR • Yuen Long comprises a 5-storey plus a 2-level basement (the lowest level of the basement provides 51 car parking spaces) shopping arcade completed in 1994.	As at the Valuation Date, the Property was leased to and occupied by the Company.	HK\$1,372,000 (HONG KONG DOLLARS ONE MILLION THREE HUNDRED AND SEVENTY TWO THOUSAND) per month, exclusive of government rent, rates, management fees and utility charges
Part of the shares of and in Yuen Long Town Lot No. 464	The property comprises the basement 1 floor and has a total lettable floor area of approximately 19,795 sq.ft. (1,839.00 sq.m.). The property is held from the Government under New Grant No. 3913 for a term commencing from 14 November 1989 and expiring on 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.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Shung King Development Company Limited (68.4%) and Evercot Enterprise Company Limited (31.6%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Residential (Group A)” purposes under the Draft Yuen Long Outline Zoning Plan No. S/YL/26 dated 6 January 2023.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 28 February 2023
15. Shop No. UG036 on Upper Ground Floor, MCP Central, 8 Yan King Road, Tseung Kwan O, New Territories	MCP Central is a 4-storey shopping arcade upon which eleven residential blocks are erected. The development was completed in 1999.	As at the Valuation Date, the property was leased to and occupied by the Company.	HK\$1,400,000 (HONG KONG DOLLARS ONE MILLION FOUR HUNDRED THOUSAND) per month exclusive of government rent, rates, management fees and utilities charges
Part of the shares of and in Tseung Kwan O Town Lot No. 27	The property comprises a shop unit on Upper Ground Floor and has a lettable floor area of approximately 43,038 sq.ft. (3,998.33 sq.m.).		
	The property is held under New Grant No. 8373 for a term commencing from 27 July 1994 and expiring on 30 June 2047. The current Government rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.		(see Note (2) below)

Notes:

- (1) The registered owners of the property are Evercot Enterprise Company Limited (45.54%), Shung King Development Company Limited (39.57%), Millap Limited (4.51%), Egeria Investment Limited (0.14%), and Join Fortune Development Limited (10.24%) with them holding as tenants-in-common.
- (2) The rental valuation is conducted on the assumption that the property is available for letting on the Valuation Date under normal commercial terms without varying rent, turnover rent or rental incentives.
- (3) The property falls within a land use zone for “Other Specified Uses (Commercial/Residential Development with Public Transport Interchange)” purpose under the Approved Tseung Kwan O Outline Zoning Plan No. S/TKO/28 dated on 1 June 2021.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors' interests**

As at the Latest Practicable Date, other than the interests the disclosure of which have been waived by the Stock Exchange as referred to below, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

*Ordinary Shares (unless otherwise specified)**Long Positions*

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interest	%
The Company	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Li Ning	1		2,110,868,943			2,110,868,943	69.27
HLD	Lee Ka Kit	2				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	2				3,509,782,778	3,509,782,778	72.50
	Li Ning	2		3,509,782,778			3,509,782,778	72.50
Miramar Hotel and Investment Company, Limited	Lee Ka Kit	3				345,999,980	345,999,980	50.08
	Lee Ka Shing	3				345,999,980	345,999,980	50.08
	Li Ning	3		345,999,980			345,999,980	50.08

*Ordinary Shares (unless otherwise specified) (continued)**Long Positions*

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interest	%
Henderson Development Limited	Lee Ka Kit	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	4		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	4			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
Li Ning	5			15,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)	30.00	

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), other than the interests which Dr. Lee Ka Kit, Dr. Lee Ka Shing and Mr. Li Ning were taken or deemed under Part XV of the SFO to have in unlisted associated corporations of the Company which were solely derived from their interests or deemed interests in Henderson Development Limited (“HD”), HLD, Miramar Hotel and Investment Company, Limited and/or the Company, in respect of which an application for waiver from strict compliance with the disclosure requirements under Rules 14.66(3) and 14A.70(14) of the Listing Rules and paragraphs 38(1) and 38(1A) of Appendix 1B to the Listing Rules has been made to, and granted by, the Stock Exchange.

(b) Directors' interests in assets of the Group

As at the Latest Practicable Date, save for the interests of the Directors as described in paragraph 2(c) below, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(c) Directors' interests in contracts of the Group

Save for the interests of the Directors in:

- (i) the Existing Leasing and Licensing Framework Agreement (which will expire on 30 September 2023) and the agreements entered into thereunder;
- (ii) the New Leasing and Licensing Framework Agreement;
- (iii) the master agreement entered into between the Company and a subsidiary of HLD as disclosed in the announcement of the Company dated 9 June 2020 in relation to the provision of cleaning services to members of the Group and the agreements entered into thereunder (which will expire on 30 November 2023);
- (iv) the new master agreement entered into between the Company and a subsidiary of HLD as disclosed in the announcement of the Company dated 19 April 2023 in relation to the provision of cleaning services to members of the Group (which will commence on 1 December 2023);
- (v) the master agreement entered into between the Company and HLD as disclosed in the announcement of the Company dated 9 June 2020 in relation to the purchase of gift certificates by members of the HLD Group from members of the Group and the agreements entered into thereunder (which will expire on 30 June 2023); and
- (vi) the master agreement entered into between the Company and HLD as disclosed in the announcement of the Company dated 19 April 2023 in relation to the purchase of goods and/or gift certificates by members of the HLD Group from members of the Group (which will commence on 1 July 2023),

all through their interests in the shares of HLD mentioned above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

(d) Substantial Shareholders' and others' interests

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (not being Directors or the chief executive of the Company), had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Long Positions	No. of Shares in which interested	% Interest
Substantial Shareholders:		
Lee Shau Kee (<i>Note 1</i>)	2,110,868,943	69.27
Rimmer (Cayman) Limited (<i>Note 1</i>)	2,110,868,943	69.27
Riddick (Cayman) Limited (<i>Note 1</i>)	2,110,868,943	69.27
Hopkins (Cayman) Limited (<i>Note 1</i>)	2,110,868,943	69.27
HD (<i>Note 1</i>)	2,110,868,943	69.27
HLD (<i>Note 1</i>)	2,110,868,943	69.27
Kingslee S.A. (<i>Note 1</i>)	2,110,868,943	69.27
Banshing Investment Limited (<i>Note 1</i>)	843,249,284	27.67
Markshing Investment Limited (<i>Note 1</i>)	602,398,418	19.77
Covite Investment Limited (<i>Note 1</i>)	363,328,900	11.92
Person other than substantial Shareholders:		
Gainwise Investment Limited (<i>Note 1</i>)	217,250,000	7.13

(e) Directorships and employment of the Directors with companies having discloseable interests

As at the Latest Practicable Date, so far as was known to the Directors, the Directors who were directors or employees of companies which had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Company	Name of Director	Post held
Rimmer (Cayman) Limited	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director
Riddick (Cayman) Limited	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director
Hopkins (Cayman) Limited	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director

Company	Name of Director	Post held
HD	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director and Alternate Director
HLD	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director
	Kwong Che Keung, Gordon	Director
	Ko Ping Keung	Director
	Wu King Cheong	Director
	Au Siu Kee, Alexander	Director
Banshing Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director
Markshing Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director
Covite Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director
Gainwise Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director

Notes:

- Of these Shares, 843,249,284 Shares, 602,398,418 Shares, 363,328,900 Shares, 217,250,000 Shares and 84,642,341 Shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by HLD which in turn was 72.44% held by HD. Hopkins (Cayman) Limited (“**Hopkins**”) as trustee of a unit trust (the “**Unit Trust**”) owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited (“**Rimmer**”) and Riddick (Cayman) Limited (“**Riddick**”), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these Shares by virtue of the SFO. As Directors and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr. Lee Ka Kit and Dr. Lee Ka Shing were taken to be interested in these Shares by virtue of the SFO. As Director and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these Shares by virtue of the SFO.
- Of these shares, (i) 1,450,788,868 shares were owned by HD; (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited (“**Fu Sang**”). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD as set out in Note 1 and Fu Sang. As Directors and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr. Lee Ka Kit and Dr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

3. Of these shares, 120,735,300 shares, 128,658,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HLD. As Directors and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr. Lee Ka Kit and Dr. Lee Ka Shing were taken to be interested in HLD as set out in Note 2 and these shares by virtue of the SFO. As Director and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in HLD as set out in Note 2 and these shares by virtue of the SFO.
4. These shares were held by Hopkins as trustee of the Unit Trust.
5. These shares were held by Fu Sang.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. EXPERTS AND CONSENT

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Centurion	a corporation licensed 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
Cushman & Wakefield Limited	independent property valuer

As at the Latest Practicable Date, none of the experts have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts have any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

Each of Centurion and Cushman & Wakefield Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions, letters or reports and the references to its name, in the form and context in which they respectively appear.

7. MATERIAL CONTRACTS

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

8. GENERAL

- (a) The company secretary of the Company is Mr. Liu Cheung Yuen, Timon, B.Ec., F.C.P.A., C.A. (Aust.), F.C.G., H.K.F.C.G.
- (b) The registered office of the Company is situate at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (c) The share registrar of the Company is Tricor Standard Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website at www.hilhk.com and HKEXnews website at www.hkexnews.hk for a period of 14 days from the date of this circular:

- (a) the New Leasing and Licensing Framework Agreement;
- (b) the valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix II to this circular;
- (c) the letter of advice from Centurion, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (d) the written consent of Cushman & Wakefield Limited referred to in the section headed "Experts and Consent" of this appendix; and
- (e) the written consent of Centurion referred to in the section headed "Experts and Consent" of this appendix.

NOTICE OF THE EGM



HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

Incorporated in Hong Kong with limited liability
(Stock Code : 97)

NOTICE OF THE EGM

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of the Company (the “EGM”) will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 5 June 2023 at 11:15 a.m. to consider and, if thought fit, pass with or without modifications the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the New Leasing and Licensing Framework Agreement as described in the Circular (a copy of the New Leasing and Licensing Framework Agreement and a copy of the Circular have been produced to the meeting marked “A” and “B” respectively and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the Right-of-Use Assets Caps as set out in the Circular be and are hereby approved;
- (c) the 2023-2026 Rental Expense Caps as set out in the Circular be and are hereby approved;
- (d) the director(s) of the Company be and are hereby authorised for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the New Leasing and Licensing Framework Agreement, transactions contemplated thereunder, the Right-of-Use Assets Caps and the 2023-2026 Rental Expense Caps and to be in the interests of the Company.”

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 16 May 2023

Registered Office:
72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

NOTICE OF THE EGM

Notes:

- (1) Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular of the Company dated 16 May 2023 (the “*Circular*”).
- (2) At the EGM, the Chairman will exercise his power under Article 80 of the Articles of Association of the Company to put the above resolution to be voted by way of a poll.
- (3) A shareholder of the Company (“**Shareholder**”) entitled to attend, speak and (subject to any applicable requirement of the Listing Rules to abstain from voting on any relevant resolution) vote at the EGM is entitled to appoint one proxy or more proxies to attend and speak and on a poll, to vote instead of him at the EGM, and separate proxies may be appointed by a Shareholder to represent the respective number of shares in the Company held by the Shareholder as specified in the relevant form of proxy. A proxy need not be a Shareholder. A form of proxy for use by the Shareholders at the EGM is enclosed with the Circular. The form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority) must be lodged with the share registrar of the Company, Tricor Standard Limited (the “**Company’s Registrar**”), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the EGM or adjourned or postponed meeting (as the case may be) at which the person named in such form of proxy proposes to vote or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours (excluding any part of a day that is a public holiday) before the time appointed for the taking of the poll.
- (4) In order to determine the Shareholders who are entitled to attend and vote at the EGM (or any adjournment or postponement thereof), the Register of Members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Registrar at the above address no later than 4:30 p.m. on Tuesday, 30 May 2023. The record date for determining entitlements of Shareholders to attend and vote at the EGM is Monday, 5 June 2023.
- (5) If a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by a super typhoon, or a black rainstorm warning signal is in force at any time between 8:30 a.m. and 11:00 a.m. on the day of the EGM, the EGM will be adjourned or postponed. The Company will post an announcement on the Company’s website (www.hilhk.com) and HKEXnews website (www.hkexnews.hk) to notify Shareholders of the date, time and place of the adjourned or postponed meeting.

The EGM will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

- (6) Please indicate in advance, not less than 1 week before the time appointed for holding the EGM, if Shareholders, because of disabilities, need special arrangements to participate in the EGM. Any such request should be made in writing to the Company’s Registrar by post at the above address or by email at henderson97-ecom@hk.tricorglobal.com. The Company will endeavour to make the necessary arrangements unless there is unjustifiable hardship in arranging for them.
- (7) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.