
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Hopewell Holdings Limited.



PETRUS HK CO LIMITED

(incorporated in Hong Kong with limited liability)

HOPEWELL HOLDINGS LIMITED

合和實業有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 54)

**(1) PROPOSAL FOR THE PRIVATISATION OF
HOPEWELL HOLDINGS LIMITED
BY PETRUS HK CO LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND**

**(2) PROPOSED WITHDRAWAL OF LISTING OF
HOPEWELL HOLDINGS LIMITED**

Exclusive Financial Adviser to Petrus HK Co Limited



Citigroup Global Markets Asia Limited

Independent Financial Adviser to the Independent Board Committee



中國通海企業融資
CHINA TONGHAI CAPITAL

China Tonghai Capital Limited

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

A letter from the Board is set out on pages 22 to 31 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Scheme Shareholders in relation to the Proposal is set out on pages 32 to 33 of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in connection with the Proposal is set out on pages 34 to 87 of this Scheme Document. The Explanatory Statement is set out on pages 88 to 114 of this Scheme Document. The actions to be taken by the Shareholders and the ADS Holders are set out on pages 5 to 8 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 21 March 2019 at 11:00 a.m. and 11:30 a.m. respectively (or, in the case of the EGM, as soon thereafter as the Court Meeting shall have been concluded or adjourned) are set out on pages N-1 to N-3 and N-4 to N-6 of this Scheme Document respectively.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them at the Company's registered office at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, but in any event no later than the respective times and dates specified in them respectively. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so lodged.

If you are an ADS Holder, you are strongly urged to respond through written instruction in the Depositary Notice provided by the Depositary, in accordance with the terms and conditions of the Deposit Agreement, to instruct the Depositary to cause the Shares underlying your ADSs to be voted in accordance with your instruction. Alternatively, you may surrender your ADSs to the Depositary to withdraw the Shares represented by your ADSs in accordance with the terms and conditions of the Deposit Agreement (for which you will incur fees, taxes and other charges in each case as specified in the Deposit Agreement) before 5:00 p.m. (New York time) on Monday, 4 March 2019. If you become a Scheme Shareholder prior to 4:30 p.m. (Hong Kong time) on Wednesday, 13 March 2019 and remain as a Scheme Shareholder on the Meeting Record Date, you may attend the Court Meeting and/or the EGM and/or complete and return the forms of proxy as described above.

Completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

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

25 February 2019

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Notice to US investors

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance and is subject to Hong Kong disclosure requirements which are different from those of the United States.

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

The receipt of cash pursuant to the Proposal by a US Scheme Shareholder (or by a holder of ADSs located in the United States (a “**US ADS Holder**”)) as consideration for the cancellation of his or her Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each US Scheme Shareholder (or US ADS Holder) is urged to consult his or her independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him or her.

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

The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the United States.

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of Hopewell Holdings Limited in the United States.

CONTENTS

	<i>Page</i>
QUESTIONS AND ANSWERS	1
ACTIONS TO BE TAKEN	5
DEFINITIONS	9
EXPECTED TIMETABLE	19
LETTER FROM THE BOARD	22
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	32
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	34
EXPLANATORY STATEMENT	88
APPENDIX I – FINANCIAL INFORMATION RELATING TO THE GROUP	115
APPENDIX II – PROPERTY VALUATION REPORT	122
APPENDIX III – GENERAL INFORMATION	172
SCHEME OF ARRANGEMENT	S-1
NOTICE OF COURT MEETING	N-1
NOTICE OF EGM	N-4

QUESTIONS AND ANSWERS

The following are some of the questions you, as a Scheme Shareholder, a Shareholder or an ADS Holder, may have and the answers to those questions.

This Scheme Document contains important information and you are encouraged to read this Scheme Document in full, including the Appendices, carefully.

1. What is the purpose of this Scheme Document?

- The purpose of this Scheme Document is to provide you with, among others:
 - (a) information on the Scheme and the expected timetable of the Proposal;
 - (b) recommendations of the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee;
 - (c) notices of the Court Meeting and the EGM; and
 - (d) the **pink** and **white** forms of proxy in relation to the Court Meeting and the EGM, respectively.

2. What is the Court Meeting, the EGM and the High Court hearing?

- The Court Meeting is convened for the Scheme Shareholders to consider and, if thought fit, approve the Scheme.
- After the Court Meeting has been concluded or adjourned, the EGM or any adjournment thereof will be held for the Shareholders to consider and, if thought fit, pass a special resolution to approve the reduction of the share capital of the Company and for the implementation of the Scheme.
- If the requisite approval is obtained at the Court Meeting and the special resolution is passed at the EGM, the High Court hearing will be held for the High Court to hear the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company.

3. What are the location, date and time of the Court Meeting and the EGM?

- The Court Meeting will be held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 21 March 2019 at 11:00 a.m..
- The EGM will be held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 21 March 2019 at 11:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

QUESTIONS AND ANSWERS

4. What do I need to do if I want to vote at the Court Meeting and the EGM?

- You are strongly encouraged:
 - (a) in the case of a Scheme Shareholder or a Shareholder – to exercise your right to vote at the Court Meeting and/or the EGM;
 - (b) in the case of a Beneficial Owner – to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the EGM; or
 - (c) in the case of an ADS Holder – to instruct the Depository in writing to cause the Shares underlying your ADSs to be voted at the Court Meeting and/or the EGM in accordance with your instruction.
- The actions you should take are summarised in “*Actions to be taken*” and the section headed “*21. Actions to be taken*” in the Explanatory Statement of this Scheme Document. You should read them carefully.

5. What is the Proposal?

- The Proposal involves the proposed privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price of HK\$38.80 in cash for each Scheme Share.
- Upon completion of the Proposal, the Consortium Offeror Concert Parties will directly or indirectly hold 36.93% of the total issued Shares and the Offeror will directly hold 63.07% of the total issued Shares. The Company will apply for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

6. I am an overseas Shareholder. What should I do?

- All overseas Shareholders are advised to read this Scheme Document in its entirety and, in particular, the section headed “*17. Overseas Shareholders*” in the Explanatory Statement of this Scheme Document.

7. Will I have to pay any fees or commissions?

- If your Shares are registered in your name as at the Scheme Record Date and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.
- If, as at the Scheme Record Date, you own your Shares through a financial intermediary (such as a broker or nominee), you should consult your financial intermediary to determine whether any charges apply.

QUESTIONS AND ANSWERS

- If you are an ADS Holder and you choose to surrender your ADSs to the Depository to withdraw the Shares represented by your ADSs in accordance with the terms and conditions of the Deposit Agreement, you will incur fees, taxes and other charges in each case as specified in the Deposit Agreement. Separately, if the Scheme becomes effective, you will have to pay fees, taxes and other charges in each case as specified in the Deposit Agreement in respect of the cancellation of the ADSs concerned and the distribution of the Cancellation Price.

8. What is the position of the Independent Board Committee on the Proposal?

- The Independent Board Committee, having considered the terms of the Proposal, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document, considers that the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.
- China Tonghai has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “*Letter from the Independent Financial Adviser*” of this Scheme Document. You are advised to read such letter of advice carefully before taking any action in respect of the Proposal.

9. When do you expect the Proposal to be completed?

- If the Conditions of the Proposal are fulfilled or waived (as applicable), the Proposal is expected to be completed on Thursday, 2 May 2019.

10. Who should I contact if I have additional questions?

- If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the hotline of the Share Registrar, Computershare Hong Kong Investor Services Limited, at +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.
- The hotline cannot and will not provide any advice on the merits of the Proposal or the Scheme or give any financial or legal advice. If you are in doubt as to any aspect of this Scheme Document or action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

QUESTIONS AND ANSWERS

- You may also visit the Company's website at www.hopewellholdings.com and/or direct your questions to the Company by the following ways:-

by phone: +852 2528 4975 (between 9:00 a.m. and 5:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)

by fax: +852 2529 8602

by email: ir@hopewellholdings.com

ACTIONS TO BE TAKEN

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 14 March 2019 to Thursday, 21 March 2019 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Wednesday, 13 March 2019. A subsequent purchaser of Scheme Shares purchased during the above period of closure of register of members will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **pink** form of proxy for use at the **Court Meeting** and a **white** form of proxy for use at the **EGM** are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Company's registered office, at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the Chairman of the Court Meeting at the Court Meeting. The white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

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

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

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the

ACTIONS TO BE TAKEN

hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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

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

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

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

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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

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

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

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

ACTIONS TO BE TAKEN

latest time for the lodgement of the forms of proxy in respect of the Court Meeting and the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “*General Rules of CCASS*” and the “*CCASS Operational Procedures*” in effect from time to time.

3. ACTIONS TO BE TAKEN BY ADS HOLDERS

If you are an ADS Holder, you cannot vote at the Court Meeting or the EGM directly but may instruct the Depositary through written instruction to cause the Shares underlying your ADSs to be voted in accordance with the terms and conditions of the Deposit Agreement. You are strongly urged to respond through written instruction in the Depositary Notice provided by the Depositary to instruct the Depositary to cause the Shares underlying your ADSs to be voted in accordance with your instruction so that the Depositary receives such instruction no later than the specified time as set out on the Depositary Notice. If you do not instruct the Depositary by written request or fail to deliver the instruction to the Depositary by the specified time as set out on the Depositary Notice, the Shares underlying your ADSs will not be voted at the Court Meeting or the EGM. If you hold ADSs indirectly, you must rely on the procedures of the bank, broker or financial institution in which such ADSs are held.

If you are an ADS Holder and wish to attend the Court Meeting and the EGM (whether in person or by proxy), you must elect to become a Shareholder by surrendering your ADSs to the Depositary in accordance with the terms and conditions of the Deposit Agreement and withdrawing the Shares represented by your ADSs in accordance with the terms and conditions of the Deposit Agreement before 5:00 p.m. (New York time) on Monday, 4 March 2019 so that you become a Scheme Shareholder prior to 4:30 p.m. (Hong Kong time) on Wednesday, 13 March 2019 and remain as a Scheme Shareholder on the Meeting Record Date. However, you must pay a fee to the Depositary pursuant to the Deposit Agreement and all taxes and governmental charges payable in connection with such surrender and withdrawal of the Shares. In order to surrender your ADSs and withdraw the underlying Shares, you should contact your broker or custodian to make the necessary arrangements, or otherwise you may contact the Depositary at 1-877-248-4237 (toll free) or 1-781-575-4555 (outside US).

ACTIONS TO BE TAKEN

4. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE EGM.

IF YOU ARE AN ADS HOLDER, YOU ARE STRONGLY URGED TO INSTRUCT THE DEPOSITARY TO CAUSE THE SHARES UNDERLYING YOUR ADSs TO BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTION AT THE COURT MEETING AND/OR AT THE EGM.

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

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

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

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

DEFINITIONS

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

“Acquisition Financing Facility Agreement”	the facilities agreement dated 5 December 2018 entered into between (among others) the Offeror, Citibank, N.A., Hong Kong Branch, Citigroup, and Citicorp International Limited
“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Adjusted NAV of the Group”	the adjusted unaudited NAV of the Group as at 30 September 2018 as set out in section headed “4. Property Interests and Adjusted NAV of the Group” in Appendix I headed “Financial Information Relating to the Group” to this Scheme Document
“ADRs”	American depositary receipts evidencing the ADSs
“ADS Holders”	holders of ADSs (whose ADSs are directly registered on the books of the Depositary)
“ADSs”	American depositary shares, each representing the right to receive one (1) Share
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself or herself
“Board”	the board of Directors
“BOCI Trustee”	BOCI-Prudential Trustee Limited being the trustee of the HHL Employees’ Share Award Scheme Trust
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Cancellation Price”	the cancellation price of HK\$38.80 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Certain Funds Period”	from the date the new credit facilities are made available to the Offeror by Citibank, N.A., Hong Kong Branch and other lenders as selected by the mandated lead arranger and bookrunner in consultation with the Offeror until the earlier of: (i) the first date on which the Scheme is withdrawn or lapses in accordance with the terms of the Scheme and the Takeovers Code or is finally rejected by the High Court; (ii) the date on which the EGM is convened for the purposes of approving matters in relation to the Scheme but after a vote is held the requisite resolutions are not passed; (iii) the first date on which (A) the Offeror beneficially owns 63.07% issued shares of the Company and the register of members of the Company has been updated to show the cancellation of Scheme Shares and (B) full payment of the total consideration payable by the Offeror in respect of the cancellation of the Scheme Shares has been despatched in accordance with the Scheme; and (iv) the date falling six months after the date of the Acquisition Financing Facility Agreement
“Citigroup”	Citigroup Global Markets Asia Limited (花旗環球金融亞洲有限公司), a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Proposal
“Clarification Announcement”	the joint announcement dated 18 February 2019 issued by the Offeror and the Company in relation to the shareholding structure of the Company
“close relative(s)”	has the meaning ascribed to it in the Takeovers Code

DEFINITIONS

“Clyde & Helen WU Irrevocable Trust”	a trust initially granted by Sir Gordon WU to the late Dr. Clyde WU and the late Mrs. Helen WU as trustees for the benefit of the grandchildren and more remote issue of the late Dr. Clyde WU and the late Mrs. Helen WU and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Hopewell Holdings Limited (合和實業有限公司), a company incorporated in Hong Kong with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 54)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “5. <i>Conditions of the Proposal</i> ” in the Explanatory Statement
“Consortium Member”	a shareholder of (a) Topco as at the Latest Practicable Date or (b) Holdco upon the Scheme becoming effective (as a result of the issue of new shares in Holdco in accordance with the Subscription Letters prior to the Scheme becoming effective)
“Consortium Offeror Concert Parties”	persons acting in concert with the Offeror under the Takeovers Code who are (or through their respective controlled companies are) Consortium Members, including (a) Sir Gordon WU, (b) Lady Ivy WU, (c) Ms. June WU, (d) Ms. Carol WU, (e) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the Clyde & Helen WU Irrevocable Trust, (f) Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees of the Roger Man-Yuk WU Irrevocable Trust, (g) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the David Man-Hay WU Irrevocable Trust, (h) Mr. Guy WU and (i) Mr. Eddie HO
“Consortium Offeror Concert Party Shares”	Shares in issue on the Scheme Record Date (unless otherwise specified) held or beneficially owned by the Consortium Offeror Concert Parties
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court at 11:00 a.m. on Thursday, 21 March 2019 at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong or any adjournment thereof at which the Scheme will be voted upon

DEFINITIONS

“David Man-Hay WU Irrevocable Trust”	a trust initially granted by Sir Gordon WU to Mr. David WU and the late Dr. Clyde WU as trustees for the benefit of Mr. David WU and his issue and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees
“Deposit Agreement”	the deposit agreement dated 28 April 1993 among the Company, Depositary and all holders from time to time of ADRs issued thereunder
“Depositary”	Citibank, N.A., in its capacity as depositary for the ADSs issued pursuant to the Deposit Agreement
“Depositary Notice”	a notice to be mailed by the Depositary to the ADS Holders containing (a) information set out in the notice of the Court Meeting and notice of the EGM; (b) a statement that the ADS Holders on a specified record date will be entitled to instruct the Depositary as to the exercise of the voting rights of the Shares underlying the ADSs; and (c) a brief statement as to the manner in which such instructions to the Depositary may be given, pursuant to the Deposit Agreement
“Directors”	the directors of the Company
“Disinterested Shareholders”	Shareholders other than the Offeror and the Offeror Concert Parties
“Dr. Clyde WU”	the late Dr. Clyde Ying-Chau WU
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“EGM”	an extraordinary general meeting of the Company convened to be held on the same date as the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“exempt fund manager(s)”	has the meaning ascribed to it in the Takeovers Code
“exempt principal trader(s)”	has the meaning ascribed to it in the Takeovers Code

DEFINITIONS

“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 88 to 114 of this Scheme Document
“Group”	the Company and its subsidiaries
“HHI”	Hopewell Highway Infrastructure Limited (合和公路基建有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock codes: 737 (HKD Counter) and 80737 (RMB Counter))
“HHI Disposal”	the disposal by the Group of approximately 66.69% of the issued shares of HHI on 4 April 2018
“HHL Employees’ Share Award Scheme”	the employee share award scheme adopted by the Company on 25 January 2007 which is valid and effective for a period of 15 years commencing from 25 January 2007
“HHL Employees’ Share Award Scheme Trust”	the trust constituted by the trust deed of the HHL Employees’ Share Award Scheme
“High Court”	the Court of First Instance of the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Holdco”	Latour HK Co Ltd, a limited company incorporated in the British Virgin Islands, which, upon the Scheme becoming effective, will be 76.15% owned by Topco and the remaining 23.85% owned by the Clyde & Helen WU Irrevocable Trust, the Roger Man-Yuk WU Irrevocable Trust, the David Man-Hay WU Irrevocable Trust, Mr. Guy WU, Mr. Eddie HO, Ms. June WU and Ms. Carol WU (as a result of the issue of new shares in Holdco in accordance with the Subscription Letters prior to the Scheme becoming effective)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP, being all the independent non-executive Directors
“Independent Financial Adviser” or “China Tonghai”	China Tonghai Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the joint announcement dated 5 December 2018 issued by the Offeror and the Company in relation to the Proposal
“Lady Ivy WU”	Lady WU Ivy Sau Ping KWOK
“Last Trading Date”	30 November 2018, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
“Latest Practicable Date”	22 February 2019, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	5 June 2019, being six months from the date of the Joint Announcement, or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and/or the High Court may direct
“Meeting Record Date”	Friday, 15 March 2019, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the EGM
“Mr. David WU”	Mr. David Man-Hay WU

DEFINITIONS

“Mr. Eddie HO”	Mr. Eddie Ping Chang HO
“Mr. Guy WU”	Mr. Guy Man Guy WU
“Mr. Roger WU	Mr. Roger Man-Yuk WU
“Mr. Thomas KWOK”	Mr. KWOK Yan Hing
“Mr. Thomas WU”	Mr. Thomas Jefferson WU
“Mrs. Helen WU”	the late Mrs. Helen Ching-Hung Tseng WU
“Ms. Carol WU”	Ms. Carol Ann WU
“Ms. June WU”	Ms. Kar Ming June WU
“NAV”	the consolidated net asset value attributable to shareholders of a group, as stated in its relevant latest published financial statements
“Non-Consortium Offeror Concert Parties”	persons acting in concert with the Offeror under the Takeovers Code who are not Consortium Members, including, (a) Mr. Thomas WU, being the son (and hence close relative) of Sir Gordon WU and Lady Ivy WU, (b) members of the Citigroup group (except those which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code), (c) Mr. KWOK Tse Wah, being the father (and hence close relative) of Lady Ivy WU, (d) Mr. Thomas KWOK being the sibling (and hence close relative) of Lady Ivy WU and certain Directors presumed to be acting in concert with the Offeror under the Takeovers Code who are not Consortium Members, namely, (e) Mr. Josiah Chin Lai KWOK, (f) Mr. Albert Kam Yin YEUNG and (g) Mr. William Wing Lam WONG being the executive directors of the Company
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 4 December 2018
“Offeror”	Petrus HK Co Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Holdco
“Offeror Board”	the board of directors of the Offeror

DEFINITIONS

“Offeror Concert Parties”	all persons acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, namely, the Consortium Offeror Concert Parties and the Non-Consortium Offeror Concert Parties
“Offeror Group”	the Offeror, Holdco and Topco
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“PRC” or “China”	the People’s Republic of China and, but for the purposes of this Scheme Document, excluding Taiwan, Macau Special Administrative Region of the People’s Republic of China and Hong Kong
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Period”	the period commencing on 4 June 2018, being the date falling six months prior to 4 December 2018, being the commencement of the offer period, and ending on the Latest Practicable Date
“Roger Man-Yuk WU Irrevocable Trust”	a trust initially granted by Sir Gordon WU to Mr. Roger WU and the late Dr. Clyde WU as trustees for the benefit of Mr. Roger WU and his issue and is currently administered by Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 December 2017 entered into among Anber Investments Limited (an indirect wholly-owned subsidiary of the Company) (as the vendor), the Company (as vendor’s guarantor), Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (as the purchaser) and Shenzhen Investment Holdings Co., Ltd (as purchaser’s guarantor) in relation to the HHI Disposal for a total cash consideration of HK\$9,865,379,217.60

DEFINITIONS

“Scheme”	the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal as set out on pages S-1 to S-13 of this Scheme Document, with or subject to any modification thereof or addition thereto or any condition as may be approved or imposed by the High Court
“Scheme Document”	this composite scheme document dated 25 February 2019 issued jointly by the Offeror and the Company to the Shareholders containing, among other things, each of the letters, statements, appendices and notices in it
“Scheme Record Date”	Tuesday, 30 April 2019, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Shareholders”	the registered holders of the Scheme Shares
“Scheme Shares”	Shares in issue on the Scheme Record Date other than the Consortium Offeror Concert Party Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Share Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, being the share registrar of the Company
“Sir Gordon WU”	Sir Gordon Ying Sheung WU
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Letters”	the applications dated 3 December 2018 by each of (a) Topco, (b) Ms. June WU, (c) Ms. Carol WU, (d) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the Clyde & Helen WU Irrevocable Trust, (e) Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees of the Roger Man-Yuk WU Irrevocable Trust, (f) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the David Man-Hay WU Irrevocable Trust, (g) Mr. Guy WU and (h) Mr. Eddie HO for new shares in Holdco at a par value of US\$1 per share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Topco”	Tiger HK Co Ltd, a limited company incorporated in the British Virgin Islands, which is 50% owned by each of Sir Gordon WU and Lady Ivy WU
“US” or “United States”	United States of America
“US ADS Holder”	a holder of ADSs located in the United States
“US Scheme Shareholder”	a Scheme Shareholder who is located in the United States or may be potentially subject to US taxation
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent

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

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local times and dates.

Hong Kong time

Latest time for lodging transfers of Shares
in order to qualify for entitlement to attend
and vote at the Court Meeting and the EGM (*Note 1*) 4:30 p.m. on
Wednesday, 13 March 2019

Register of members of the Company closed for
determining entitlement to attend and vote at
the Court Meeting and the EGM (*Note 2*) Thursday, 14 March 2019 to
Thursday, 21 March 2019
(both days inclusive)

Meeting Record Date Friday, 15 March 2019

Latest time for lodging forms of proxy in respect of:

- Court Meeting (*Note 3*) 11:00 a.m. on Tuesday, 19 March 2019
- EGM (*Note 3*) 11:30 a.m. on Tuesday, 19 March 2019

Court Meeting (*Notes 3 and 4*) 11:00 a.m. on Thursday, 21 March 2019

EGM (*Notes 3 and 4*) 11:30 a.m. on Thursday, 21 March 2019
(or immediately after the conclusion or
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting
and the EGM posted on the website of
the Stock Exchange no later than 7:00 p.m. on
Thursday, 21 March 2019

Expected latest time for trading of Shares on
the Stock Exchange 4:10 p.m. on Wednesday, 17 April 2019

Latest time for lodging transfers of Shares
in order to qualify for entitlements under
the Scheme 4:30 p.m. on Wednesday, 24 April 2019

Register of members of the Company closed for
determining entitlements under the Scheme (*Note 5*) from Thursday, 25 April 2019
onwards

High Court hearing of the petition for the sanction
of the Scheme (*Note 6*) 10:00 a.m. on Tuesday, 30 April 2019

EXPECTED TIMETABLE

Announcement of (1) the results of the High Court hearing for the petition for the sanction of the Scheme, (2) the expected Effective Date and (3) the expected date of withdrawal of listing of Shares on the Stock Exchange posted on the website of the Stock Exchange	no later than 7:00 p.m. on Tuesday, 30 April 2019
Scheme Record Date	Tuesday, 30 April 2019
Effective Date (<i>Note 6</i>)	Thursday, 2 May 2019
Announcement of (1) the Effective Date and (2) the withdrawal of listing of Shares on the Stock Exchange posted on the website of the Stock Exchange	Before 8:30 a.m. on Thursday, 2 May 2019
Withdrawal of listing of Shares on the Stock Exchange becomes effective	9:00 a.m. on Friday, 3 May 2019
Cheques for the cash payment under the Proposal to be despatched (<i>Note 7</i>)	on or before Tuesday, 14 May 2019

Notes:

- If you are an ADS Holder and wish to attend the Court Meeting and the EGM (whether in person or by proxy), you must elect to become a Shareholder by surrendering your ADSs to the Depositary and withdrawing the Shares represented by your ADSs before 5:00 p.m. (New York time) on Monday, 4 March 2019 so that you become a Scheme Shareholder prior to 4:30 p.m. (Hong Kong time) on Wednesday, 13 March 2019 and remain as a Scheme Shareholder on the Meeting Record Date.*
- The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.*
- The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged at the Company's registered office at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid. In the case of the **pink** form of proxy in respect of the Court Meeting, it may also be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so lodged. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he, she or it so wishes. In such event, the returned form of proxy will be deemed to have been revoked.*
- If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Thursday, 21 March 2019, the Court Meeting and the EGM will be postponed and by virtue of the same notices of the Court Meeting and the EGM set out on pages N-1 to N-6 to this Scheme Document, the Court Meeting and the EGM will be held instead on Tuesday, 26 March 2019 at 11:00 a.m. and 11:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, or at a time on an alternative day to be announced that falls within seven (7)*

EXPECTED TIMETABLE

Business Days of the original date scheduled for the Court Meeting and the EGM in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Tuesday, 26 March 2019. Shareholders may call the hotline at +852 2528 4975 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at www.hopewellholdings.com for details of alternative meeting arrangements. The Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether to attend the Court Meeting and the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

- 5. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders who are qualified for the entitlements under the Scheme.*
- 6. The High Court hearing will be held at the High Court at the High Court Building, 38 Queensway, Hong Kong. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning the Scheme (with or without modification) and confirming the reduction of the share capital of the Company provided for by the Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.*
- 7. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Citigroup, the Depositary (or any of its designees), the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.*

LETTER FROM THE BOARD



HOPEWELL HOLDINGS LIMITED

合和實業有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 54)

Executive Directors

Sir Gordon Ying Sheung WU¹ KCMG, FICE
(Chairman)

Mr. Eddie Ping Chang HO
(Vice Chairman)

Mr. Thomas Jefferson WU² JP
(Deputy Chairman and Managing Director)

Mr. Josiah Chin Lai KWOK
(Deputy Managing Director)

Mr. Albert Kam Yin YEUNG

Mr. William Wing Lam WONG

Ir. Dr. Leo Kwok Kee LEUNG

Registered office

64th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Non-executive Directors

Lady WU Ivy Sau Ping KWOK JP

Mr. Carmelo Ka Sze LEE JP

Mr. Guy Man Guy WU

Independent Non-executive Directors

Ms. Linda Lai Chuen LOKE

Mr. Sunny TAN

Dr. Gordon YEN

Mr. Ahito NAKAMURA

Mr. Yuk Keung IP

¹ also as Alternate Director to Mr. Eddie Ping Chang HO

² also as Alternate Director to Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK

25 February 2019

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
HOPEWELL HOLDINGS LIMITED
BY PETRUS HK CO LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
HOPEWELL HOLDINGS LIMITED**

INTRODUCTION

On 5 December 2018, the respective directors of the Offeror and the Company jointly announced that on 2 December 2018, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a

LETTER FROM THE BOARD

scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled on the Effective Date in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share;
- (b) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of such number of new Shares as the number of Scheme Shares cancelled and extinguished. The credit arising in the books of account of the Company as a result of the capital reduction will be applied in paying up the new Shares so allotted and issued, credited as fully paid, to the Offeror; and
- (c) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place with effect from 9:00 a.m. on Friday, 3 May 2019.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and, in particular, the Scheme, and to give you notice of the Court Meeting and of the EGM (together with forms of proxy in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 32 to 33 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 34 to 87 of this Scheme Document; (iii) the Explanatory Statement set out on pages 88 to 114 of this Scheme Document; and (iv) the terms of the Scheme set out on pages S-1 to S-13 of this Scheme Document.

THE PROPOSAL

Subject to the Conditions described in the section headed “5. *Conditions of the Proposal*” in the Explanatory Statement on pages 91 to 94 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

THE SCHEME

Subject to the Scheme becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Price:

HK\$38.80 in cash for every Scheme Share

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

LETTER FROM THE BOARD

The Cancellation Price of HK\$38.80 per Scheme Share represents:

- (a) a premium of approximately 46.7% over the closing price of HK\$26.45 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 48.8% over the average closing price of approximately HK\$26.07 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 55.5% over the average closing price of approximately HK\$24.95 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 54.1% over the average closing price of approximately HK\$25.18 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 49.6% over the average closing price of approximately HK\$25.93 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 45.1% over the average closing price of approximately HK\$26.74 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 41.3% over the average closing price of approximately HK\$27.45 per Share as quoted on the Stock Exchange for the 360 trading days up to and including the Last Trading Date;
- (h) a discount of approximately 35.6% to the unaudited NAV of the Group per Share of approximately HK\$60.21 as at 30 September 2018;
- (i) a discount of approximately 43.0% to the Adjusted NAV of the Group per Share of approximately HK\$68.05; and
- (j) a premium of approximately 6.9% over the closing price of HK\$36.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account the then recently traded prices of the Shares prior to the publication of the Joint Announcement, the historic traded prices of the Shares and publicly available financial information of the Company, and with reference to other privatisation transactions in Hong Kong in recent years.

Assuming that the Scheme becomes effective on 2 May 2019, cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before 14 May 2019. Cheques will be posted at the risk of the addressees and none of the Offeror, the Company, Citigroup,

LETTER FROM THE BOARD

the Depositary (or any of its designees), the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$38.80 per Scheme Share and 547,845,931 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$21,256.4 million.

The Offeror intends to finance the cash required for the Proposal through new credit facilities made available to the Offeror by Citibank, N.A., Hong Kong Branch and other lenders selected by the mandated lead arranger and bookrunner in consultation with the Offeror for the Certain Funds Period.

Citigroup, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions described in the section headed “5. *Conditions of the Proposal*” in the Explanatory Statement on pages 91 to 94 of this Scheme Document.

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

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

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

LETTER FROM THE BOARD

IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the number of total issued Shares is 868,620,621 Shares (including 2,585,891 Shares held in the form of ADSs);
- (b) the Offeror does not legally and beneficially own, control or have direction over any Shares;
- (c) the Consortium Offeror Concert Parties beneficially own, control or have direction over 320,774,690 Shares, representing approximately 36.93% of the total issued Shares;
- (d) Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG, being Non-Consortium Offeror Concert Parties, beneficially own, control or have direction over 31,709,600 Shares, representing approximately 3.65% of the total issued Shares;
- (e) members of the Citigroup group (except those which have been granted exempt principal trader or exempt fund manager status for the purposes of the Takeovers Code), being Non-Consortium Offeror Concert Parties, do not beneficially own, control or have direction over any Shares;
- (f) other than the Consortium Offeror Concert Parties, Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG, the Offeror Concert Parties do not hold any other Shares;
- (g) there are 72,000 Shares held by the HHL Employees' Share Award Scheme Trust, the trustee of which is BOCI Trustee, and no employee of the Company has been awarded any Shares under the HHL Employees' Share Award Scheme. According to the trust deed of the HHL Employees' Share Award Scheme, BOCI Trustee shall not exercise the voting rights attached to the Shares held under the HHL Employees' Share Award Scheme Trust;
- (h) there are 2,585,891 Shares represented by ADSs where every one ADS represents one Share;
- (i) the Scheme Shareholders (which include the Non-Consortium Offeror Concert Parties and the HHL Employee's Share Award Scheme Trust) hold 547,845,931 Shares, representing approximately 63.07% of the total issued Shares;

LETTER FROM THE BOARD

- (j) there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (k) neither the Offeror nor the Offeror Concert Parties has entered into any outstanding derivative in respect of the securities in the Company; and
- (l) neither the Offeror nor the Offeror Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, (a) the Scheme Shares comprise a total of 547,845,931 Shares held or beneficially owned by the Scheme Shareholders (which include the Non-Consortium Offeror Concert Parties and the HHL Employee's Share Award Scheme Trust), representing approximately 63.07% of the total issued Shares; and (b) the Consortium Offeror Concert Party Shares comprise 320,774,690 Shares held or beneficially owned by the Consortium Offeror Concert Parties, representing approximately 36.93% of the total issued Shares.

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto) is to be found in the section headed "*7. Shareholding Structure of the Company and Effect of the Proposal and the Scheme*" in the Explanatory Statement on pages 95 to 98 of this Scheme Document.

The indications as to voting by Directors in respect of interests in Shares held by them at the Court Meeting and the EGM are to be found in the section headed "*20. Indications as to Voting*" in the Explanatory Statement on page 109 of this Scheme Document.

As at the Latest Practicable Date, apart from the ADSs, the Company has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its total issued Shares of 868,620,621 Shares (of which 2,585,891 Shares are held in the form of ADSs).

For the avoidance of doubt, all Scheme Shares, including the Shares held or beneficially owned by the Non-Consortium Offeror Concert Parties and the Shares held under the HHL Employee's Share Award Scheme Trust, will be cancelled upon the Scheme becoming effective.

All Shareholders will be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company and the implementation of the Scheme (except that BOCI Trustee will not exercise the voting rights attached to the Shares held under the HHL Employees' Share Award Scheme Trust in accordance with the trust deed of the HHL Employees' Share Award Scheme). The Consortium Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, the Consortium Offeror Concert Parties will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished. Upon the

LETTER FROM THE BOARD

Scheme becoming effective, the Consortium Offeror Concert Parties will directly or indirectly hold 36.93% of the total issued Shares and the Offeror will directly hold 63.07% of the total issued Shares.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed “*10. Reasons for and benefits of the Proposal*” in the Explanatory Statement on pages 100 to 101 of this Scheme Document.

THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP

You are urged to read carefully the section headed “*11. The Offeror’s intentions in relation to the Group*” in the Explanatory Statement on pages 101 to 102 of this Scheme Document.

The Board is pleased to note the intentions of the Offeror to focus on the existing business of the Group, which principally comprises investments in power plants, property development and investment, property management, hotel ownership and management, restaurant operations and food catering, upon the Scheme becoming effective, and not to introduce any major changes to the business of the Group but may consider redeployment or disposal of certain fixed assets of the Group, and not to make any significant changes to the continued employment of the employees of the Group.

FINANCIAL ADVISER TO THE OFFEROR AND THE INDEPENDENT BOARD COMMITTEE

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

The Independent Board Committee comprising Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP has been constituted to advise the Scheme Shareholders on the Proposal.

Lady Ivy WU, Mr. Carmelo Ka Sze LEE and Mr. Guy WU, being all the non-executive Directors, do not form part of the Independent Board Committee due to their respective interest in the Proposal as follows:

- (a) Lady Ivy WU is a holder of Consortium Offeror Concert Party Shares, a director of each of the Offeror, Holdco and Topco and a Consortium Member by virtue of being a shareholder of Topco. She is the spouse (hence close relative) of Sir Gordon WU, himself, a holder of Consortium Offeror Concert Party Shares, a director of each of the Offeror, Holdco and Topco and a Consortium Member by virtue of being a shareholder of Topco. She is therefore one of the Consortium Offeror Concert Parties;
- (b) Mr. Carmelo Ka Sze LEE is a partner of the legal advisers to the Company in relation to the Proposal; and

LETTER FROM THE BOARD

- (c) Mr. Guy WU is the nephew of Sir Gordon WU and Lady Ivy WU, a holder of Consortium Offeror Concert Party Shares and a Consortium Member by virtue of being a shareholder of Holdco upon the Scheme becoming effective. He is therefore one of the Consortium Offeror Concert Parties.

The full text of the letter from the Independent Board Committee is set out on pages 32 to 33 of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

The Company has, with the approval of the Independent Board Committee, appointed China Tonghai as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal.

The full text of the letter from the Independent Financial Adviser is set out on pages 34 to 87 of this Scheme Document.

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I headed “*Financial Information Relating to the Group*” on pages 115 to 121 of this Scheme Document, and the sections headed “*13. Information on the Offeror Group and the Consortium Members*” and “*14. Information on the Company*” in the Explanatory Statement on pages 102 to 104, and page 105, respectively, of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas Scheme Shareholders, your attention is drawn to the section headed “*17. Overseas Shareholders*” in the Explanatory Statement on pages 107 to 108 of this Scheme Document.

COURT MEETING AND EGM

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “*19. Court Meeting and EGM*” in the Explanatory Statement on pages 108 to 109 of this Scheme Document, the section headed “*21. Actions to be taken*” in the Explanatory Statement on pages 110 to 113 of this Scheme Document, and the notices of the Court Meeting and the EGM on pages N-1 to N-3 and pages N-4 to N-6 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under “*Actions to be Taken*” on pages 5 to 8 and the section headed “*21. Actions to be taken*” in the Explanatory Statement on pages 110 to 113 of this Scheme Document.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned and accordingly advises the Independent Board Committee to recommend the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

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

Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the “*Letter from the Independent Financial Adviser*” on pages 34 to 87 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the “*Letter from the Independent Board Committee*” on pages 32 to 33 of this Scheme Document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 9:00 a.m. on Friday, 3 May 2019.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions described in the section headed “*5. Conditions of the Proposal*” in the Explanatory Statement on pages 91 to 94 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

If the Scheme is not approved or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn.

Your attention is drawn to the sections headed “*15. Withdrawal of listing of Shares*” and “*16. Registration and Payment*” in the Explanatory Statement set out on page 105 and pages 105 to 107, respectively, of this Scheme Document.

LETTER FROM THE BOARD

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, Citigroup, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Proposal shall be responsible (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their approval or rejection, or implementation, of the Proposal. Accordingly, you are urged to read the section headed “18. *Taxation and Independent Advice*” in the Explanatory Statement set out on page 108 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you are recommended to consult an appropriately qualified professional adviser.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 32 to 33, and pages 34 to 87 respectively of this Scheme Document, the Explanatory Statement as set out on pages 88 to 114 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages S-1 to S-13 of this Scheme Document, the notice of the Court Meeting as set out on pages N-1 to N-3 of this Scheme Document and the notice of the EGM as set out on pages N-4 to N-6 of this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the EGM are enclosed with this Scheme Document.

By order of the board of
HOPEWELL HOLDINGS LIMITED
Josiah Chin Lai KWOK
Deputy Managing Director



HOPEWELL HOLDINGS LIMITED

合和實業有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 54)

25 February 2019

To the Scheme Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
HOPEWELL HOLDINGS LIMITED
BY PETRUS HK CO LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
HOPEWELL HOLDINGS LIMITED**

We refer to the document dated 25 February 2019 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

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

China Tonghai, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “*Letter from the Independent Financial Adviser*” of the Scheme Document.

In the “*Letter from the Independent Financial Adviser*” of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal are fair and reasonable so far as the Scheme Shareholders are concerned and accordingly advises the Independent Board Committee to recommend the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

Yours faithfully,

the Independent Board Committee

Ms. Linda Lai Chuen LOKE

*Independent Non-executive
Director*

Mr. Sunny TAN

*Independent Non-executive
Director*

Dr. Gordon YEN

*Independent Non-executive
Director*

Mr. Ahito NAKAMURA

*Independent Non-executive
Director*

Mr. Yuk Keung IP

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from China Tonghai setting out its advice to the Independent Board Committee in respect of the Proposal, which has been prepared for the purpose of inclusion in this Scheme Document.



25 February 2019

To the Independent Board Committee

Dear Sir or Madam,

**PROPOSAL FOR THE PRIVATISATION OF
HOPEWELL HOLDINGS LIMITED
BY PETRUS HK CO LIMITED BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in connection with the Proposal, details of which are set out in the scheme document dated 25 February 2019 jointly issued by the Company and the Offeror in relation to the Proposal, of which this letter forms part. Terms used in this letter shall have the same meaning as defined in this Scheme Document unless the context otherwise requires.

The Independent Board Committee consists of all independent non-executive Directors, namely Ms. Linda Lai Chuen Loke, Mr. Sunny Tan, Dr. Gordon Yen, Mr. Ahito Nakamura and Mr. Yuk Keung Ip. The Independent Board Committee has been established to advise the Scheme Shareholders as to (i) whether the terms of the Proposal are fair and reasonable; and (ii) whether to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in such regard.

We are not associated with the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in this Scheme Document; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Scheme Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Scheme Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Scheme Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Scheme Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

The Scheme Shareholders will be informed by the Company and us as soon as practicable if there is any material change to the information disclosed in this Scheme Document during the offer period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Scheme Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Scheme Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries and associates.

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

Subject to the fulfilment or waiver (as applicable) of the Conditions, the proposed privatisation of the Company will be implemented by way of the Scheme.

(a) Principal terms of the Scheme

Subject to the Scheme becoming effective, the Scheme Shareholders will receive from the Offeror the following Cancellation Price for the cancellation of the Scheme Shares:

For each Scheme Share HK\$38.80 in cash

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the basis of the Cancellation Price of HK\$38.80 per Scheme Share and 547,845,931 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$21,256.4 million.

Based on the Cancellation Price and the number of Shares in issue as at the Latest Practicable Date, the Proposal valued the Company at approximately HK\$33,702.5 million.

The Scheme Shareholders should note that as stated in the “*Letter from the Board*” in this Scheme Document, the Cancellation Price will not be increased and the Offeror does not reserve the right to do so. If the Scheme is not approved or the Proposal otherwise lapses, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has indicated that it has no intention to seek such consent.

(b) Conditions of the Proposal

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

- (i) the Scheme being approved by the Disinterested Shareholders representing at least 75% of the voting rights of the Disinterested Shareholders present and voting (the “**75% Approval Test**”), in person or by proxy, at the Court Meeting, with votes cast against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (the “**10% Objection Test**”) (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and section 674(3) of the Companies Ordinance);
- (ii) the passing of a special resolution by the Shareholders at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished;
- (iii) the sanction of the Scheme (with or without modification) under section 673 of the Companies Ordinance and the confirmation of the reduction of the share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under the Companies Ordinance; and
- (iv) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the share capital of the Company and the Scheme, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For details of other Conditions, please refer to the section headed “5. *Conditions of the Proposal*” in the Explanatory Statement in this Scheme Document.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (i) to (iv) above) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse.

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

(c) Expected timetable of the Proposal

The indicative timetable for the Proposal is set out in “*Expected Timetable*” in this Scheme Document. Based on the indicative timetable, the Scheme Shareholders will receive the cash payment under the Proposal in May 2019 if the Scheme becomes effective. Further announcement will be made by the Offeror and the Company if there is any change to the timetable.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

The Group is principally engaged in property development, property investment, investments in power plants, hotel ownership and management, restaurant operations and food catering. The Company has been listed on the Stock Exchange since 1972.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Disposal of interests in HHI

Prior to completion of the disposal of 66.69% equity interests in HHI to an independent third party on 4 April 2018, the Group also engaged in toll road investment. The consideration for the HHI Disposal was approximately HK\$9,865.38 million. As stated in the Company's circular dated 22 January 2018, the intended use of the net proceeds of approximately HK\$9,000 million was as follows:

- (i) as to approximately HK\$1,740 million, or approximately 19.3% of the net proceeds, was paid as a special dividend to the then Shareholders;
- (ii) as to HK\$5,000 million, or approximately 55.6% of the net proceeds, was earmarked for financing part of the development costs of Hopewell Centre II, Hill Side Terrace Cluster and 153-167 Queen's Road East (collectively, the "**Wan Chai Projects**"); and
- (iii) the remaining balance of HK\$2,260 million, or approximately 25.1% of the net proceeds, might be used to partly fund any new potential investment opportunities which may arise in both Hong Kong and the PRC or it may be used to strengthen the Group's general working capital and cash flow position in the event that such investment opportunities have not yet been identified.

(b) Principal activities of the Group

Set out below summarises the principal activities of the Group for the two years ended 30 June 2018 and the six months ended 30 September 2018. The revenues stated below include sales of assets classified as held for sale, treasury income and the Group's share of revenue of joint ventures, which are excluded from the turnover as presented in the consolidated statement of profit or loss and other comprehensive income of the Company. For further details, please refer to the section headed "4. Financial information of the Group – (b) Financial performance" below.

(i) Property investment and development

Following the HHI Disposal, the property investment and property development businesses are the major profit contributors of the Group, accounting for approximately 94.3%, 90.6% and 80.8% of the earnings before interest and tax ("**EBIT**") of the Group from continuing operations for the two years ended 30 June 2018 and the six months ended 30 September 2018, respectively.

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the revenue from the property investment business accounted for approximately 27.8%, 32.4% and 41.7% of total revenue from continuing operations, and the EBIT from the property investment business accounted for approximately 60.3%, 67.4% and 83.2% of total EBIT from continuing operations,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respectively. Rental income derived from office, retail and residential properties accounted for approximately 71.8%, 71.1% and 69.8% of total revenue from the Group's property investment business for the same periods, respectively.

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the revenue from the property development business accounted for approximately 38.9%, 22.0% and 0.1% of total revenue from continuing operations, respectively. EBIT from the property development business accounted for approximately 34.1% and 23.2% of total EBIT from continuing operations for the two years ended 30 June 2018, respectively. For the six months ended 30 September 2018, the property development business incurred a loss before interest and tax of approximately HK\$11 million.

As disclosed in the interim report of the Company for the three months ended 30 September 2018 (the "**2019 Interim Report**"), the aggregate carrying value of properties under the property investment and property development businesses (comprising completed investment properties, properties under development, properties for development and stock of properties) was about HK\$43.2 billion as at 30 September 2018, which accounted for approximately 77.3% of the total assets of the Group as at 30 September 2018.

The investment properties of the Group mainly consist of several properties in Wan Chai including Hopewell Centre, GardenEast, QRE Plaza and certain commercial units, restaurant and carparking spaces at Wu Chung House as well as Kowloonbay International Trade & Exhibition Centre ("**KITEC**") in Kowloon Bay and Panda Place in Tsuen Wan.

The properties under/for development primarily include the Wan Chai Projects whereas the stock of properties comprise Hopewell New Town.

(ii) Hospitality business

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the Group's hotel operations, restaurant and catering operations accounted for approximately 11.3%, 14.7% and 16.2% of total revenue from continuing operations, and approximately 7.5%, 10.8% and 8.2% of total EBIT from continuing operations, respectively.

(iii) Power plant investment

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the Group's power plant investment contributed approximately 20.2%, 27.8% and 34.5% of total revenue from continuing operations, and approximately 2.5%, 0.3% and 3.0% of total EBIT from continuing operations, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) *Toll road investment*

Prior to the HHI Disposal, toll road investment was a major business segment of the Group. For the two years ended 30 June 2018, the revenue from toll road investment accounted for approximately 37.4% and 35.2% of total revenue, and EBIT from toll road investment accounted for approximately 36.1% and 36.6% of total EBIT, respectively.

(c) *Geographical split of the Group's operations*

The Group's hotel operations, restaurant and catering activities are carried out in Hong Kong. The Group's property investment and development activities are carried out in Hong Kong and the PRC, whereas its power plant investment is located in the PRC. For the year ended 30 June 2018, the Group derived approximately 62.9% and 37.1% of its revenue from continuing operations from Hong Kong and the PRC, respectively.

2. Reasons for and benefits of the Proposal

As set out in the Explanatory Statement, the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Shares for cash at a price significantly above the prevailing market prices prior to the publication of the Joint Announcement without having to suffer any illiquidity discount and settlement risk.

The Cancellation Price represents a premium of approximately 46.7% over the closing price of HK\$26.45 per Share on the Last Trading Date. During the period from 2 January 2009 to the Last Trading Date, being approximately 10 years, the lowest and highest adjusted closing prices¹ per Share were approximately HK\$17.10 (on 22 November 2011) and HK\$32.21 (on 15 February 2013), respectively. The Cancellation Price represents premiums of approximately 126.9% and 20.5% over the lowest and highest adjusted closing prices, respectively, during the period. Based on our analyses set out in the section headed "7. Evaluation of the Cancellation Price – (a) Share price performance" below, the Cancellation Price represents substantial premiums to the then Share prices prior to the issue of the Joint Announcement.

It was stated in the Explanatory Statement that the liquidity of the Shares has been at a low level over a long period of time. During the one-year period ended on and including the Last Trading Date, the average daily trading volume was 729,219 Shares, representing only approximately 0.08% of the total issued Shares. Given the thin liquidity of the Shares as illustrated in our analyses set out in the section headed "6. Trading volume of the Shares" below, we concur with the Directors that the Proposal allows the Scheme Shareholders to dispose of their Shares, particularly for those Scheme Shareholders holding a significant number of Shares, without having to suffer significant illiquidity discount or adversely affecting the market prices of the Shares.

¹ Such lowest and highest closing prices have been adjusted for abnormal cash dividends based on adjustment methods adopted by Bloomberg.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Explanatory Statement, the Group has been investing substantial resources in its properties under/for development including the Wan Chai Projects. Among these developments, the total investments of Hopewell Centre II and 153-167 Queen's Road East are estimated to be around HK\$10 billion and HK\$1.2 billion, respectively, as disclosed in the 2019 Interim Report. The target completion date of the construction work of Hopewell Centre II is end of 2021. As advised by the Group, as at 30 November 2018, the construction cost to be expended for the development of Hopewell Centre II was estimated to be approximately HK\$5 billion. It is expected that 153-167 Queen's Road East will commence operation in 2022. As disclosed in the 2019 Interim Report, the estimated remaining capital expenditure of 153-167 Queen's Road East was approximately HK\$460 million. The development of Hill Side Terrace Cluster was still in the planning stage as at the Latest Practicable Date. These projects will not generate revenue in the near term while requiring intensive capital investment in the next few years. Hopewell Centre II will be developed into a conference hotel and a retail property whereas 153-167 Queen's Road East will be developed into a commercial property.

Excluding the book value of Hopewell Centre II, the aggregate value of completed investment properties, properties under development, properties for development and stock of properties was approximately HK\$35.8 billion as at 30 September 2018 based on the 2019 Interim Report. The investment of Hopewell Centre II is estimated to be around HK\$10 billion, equivalent to about 28% of the aggregate value of the aforesaid properties. According to the Valuation Report (as defined below), the market value of Hopewell Centre II in existing state as at 30 November 2018 was approximately HK\$9.4 billion, representing approximately 16.9% of the total market value of the property interests attributable to the Shareholders of approximately HK\$55.7 billion as at 30 November 2018. Given that the value of Hopewell Centre II is material, the future operating performance of Hopewell Centre II would affect the financial results of the Group. As stated in the Explanatory Statement, the Wan Chai Projects including Hopewell Centre II will take time before reaching steady rental and operating performances post property completion and opening. There are uncertainties on whether the expected value of Hopewell Centre II will be reflected in future Share prices, given the Shares were traded at discounts to the NAV of the Group per Share for a prolonged period as illustrated in the section headed "*7. Evaluation of the Cancellation Price – (d) Comparison of Share prices with NAV of the Group per Share*" below.

Based on the aforesaid, we consider that the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares at a price significantly above the then market prices prior to the issue of the Joint Announcement and without facing the uncertainties of future Share price movements that would be affected, to a certain extent, by the future operating performance and/or value of the properties currently under/for development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Industry overview and outlook

(a) Hong Kong

(i) Economic growth

The Group's operations in Hong Kong, namely property investment and property development businesses as well as its hotel, restaurant and catering operations, accounted for approximately 69.2% of the Group's revenue from continuing operations for the year ended 30 June 2018. Accordingly, the Group's financial performance is affected by the local economic activities to a certain extent. The following table sets out Hong Kong's (1) real gross domestic product ("GDP") growth; (2) growth in private consumption expenditure in real terms; and (3) retail sales growth, for the years/quarters indicated:

Year-on-year (YoY) growth	2015	2016	2017	2018				Full year
				Q1	Q2	Q3	Q4	
Real GDP	2.4%	2.2%	3.8%	4.6%	3.5%	*2.9%	N/A	N/A
Private consumption expenditure in real terms	4.8%	2.0%	5.5%	8.8%	6.0%	*5.2%	N/A	N/A
Retail sales	-3.7%	-8.1%	2.2%	14.4%	12.3%	6.5%	*2.4%	*8.8%

Source: Census and Statistics Department

* Provisional figure

N/A: not available

As shown in the table above, Hong Kong economy as measured by the real GDP recorded a YoY growth rate of 3.8% in 2017, which was higher than those of 2.4% and 2.2% in 2015 and 2016, respectively. The YoY real GDP growth in the first quarter of 2018 further increased to 4.6%. The YoY real GDP growth rates were 3.5% and 2.9% in the second and third quarters of 2018, respectively. According to the Third Quarter Economic Report 2018 published by the Hong Kong government on 16 November 2018, it forecast that the economic growth for 2018 full year would be 3.2%. Based on the real GDP growth rates in the first three quarters of 2018 and 2018 full year forecast, Hong Kong economy continued to grow though at a slower rate.

Private consumption expenditure in real terms exhibited a robust growth rate of 8.8% in the first quarter of 2018 and recorded growth rates of 6.0% and 5.2% in the second and third quarters of 2018, respectively.

In 2015 and 2016, Hong Kong's retail sales recorded negative growth rates of 3.7% and 8.1%, respectively, indicating that the retail sales were in contraction. The retail sales YoY growth rate bounced to 2.2% in 2017 and increased substantially to 8.8% in 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Commercial leasing*

Rental income derived from office and retail properties accounts for a majority of total revenue from the Group's property investment business. The table below sets out (1) the rental index for private office; (2) the rental index for private retail; and (3) the vacancy rate for Grade A offices, for the years indicated:

Commercial leasing market	2015	2016	2017	2018
Rental index – private office (1999 = 100)	226.7	232.3	241.8	*252.0
Rental index – private retail (1999 = 100)	182.5	178.6	182.5	*187.0
Vacancy rate for Grade A offices	2.9%	4.5%	5.1%	4.2%

Source: Rating and Valuation Department and Jones Lang LaSalle IP, Inc.

* *Provisional figures*

The rental indices for private office increased by about 2.5%, 4.1% and 4.2% in 2016, 2017 and 2018, respectively, as compared to the previous year. This indicated a stable growth of rents for private office in 2018.

The rental indices for private retail dropped by about 2.1% in 2016 and increased by about 2.2% and 2.5% in 2017 and 2018, respectively, as compared to the previous year. This showed that the growth of rents for private retail was stable in 2018.

The vacancy rate for Grade A offices was 4.2% in 2018, a drop from 5.1% in 2017, indicating the sustained leasing demand.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Hospitality*

The table below sets out (1) the growth in the numbers of visitor arrivals and overnight visitor arrivals; (2) the hotel room occupancy rates and average achieved hotel room rates; and (3) the number of hotels and hotel rooms, for the years indicated, which correlate to the operating performance of the Group's hospitality business:

	2015	2016	2017	2018
Number of visitor arrivals (YoY growth)	-2.5%	-4.5%	3.2%	11.4%
Number of overnight visitor arrivals (YoY growth)	-3.9%	-0.5%	5.0%	4.9%
Hotel room occupancy rate (Notes 1 and 2)	86%	87%	89%	*91%
Average achieved hotel room rate (HK\$) (Notes 1 and 3)	1,337	1,287	1,288	*1,375
		Year end		
(Note 1)	2015	2016	2017	2018
Number of hotels	253	263	277	291
Number of hotel rooms	73,846	74,868	78,935	81,465
– YoY growth	1.5%	1.4%	5.4%	3.2%
		Year end		
Estimated figures (Note 4)	2019e	2020e	2021e	2022e
Number of hotels	319	326	327	330
Number of hotel rooms	87,051	90,029	90,489	91,190
– YoY growth	6.9%	3.4%	0.5%	0.8%

Source: Hong Kong Tourism Board (“HKTB”)

* Provisional figures

Notes:

1. Hotels refer to high tariff A hotels, high tariff B hotels, medium tariff hotels and other unclassified hotels.
2. Based on daily rooms occupied against daily rooms available for sales of responded hotels to HKTB monthly hotel room occupancy survey. Rooms under repair or being refurbished are excluded.
3. Refers to the average of achieved room rate of responded hotels to HKTB monthly hotel room occupancy survey. Achieved room rate excluded government tax and all non-room related components such as food and beverage, laundry, airport transfer and service charges, which have been built into the room rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. *Based on information provided by respective developers/architects of individual hotel projects that had been approved by the Building Authority known as at 30 September 2018. Hotel projects that have been approved by the Building Authority, but developers/architects do not disclose specific information on planned completion date are excluded.*

The number of visitors registered growth in 2017 after two consecutive years of decline. In 2018, the number of visitor arrivals grew significantly at 11.4% whereas the number of overnight visitor arrivals grew moderately at 4.9%, as compared to 2017.

Despite the growth in the number of hotel rooms, the hotel room occupancy rate and average achieved hotel room rate increased to 91% and HK\$1,375 in 2018, from 89% and HK\$1,288 in 2017, respectively. Based on the information released by the HKTB, the number of hotel rooms will attain a higher growth in 2019 and remain above 90,000 at the end of 2020 to 2022.

The Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link are expected to boost visitor arrivals which will provide support to the hospitality and retail businesses in Hong Kong.

(iv) Outlook

Various key domestic economic data including the YoY growth in real GDP, private consumption expenditure in real terms and retail sales in 2018 as well as the growth in rental indices and the number of overnight visitor arrivals in 2018 indicated an overall stable growth operating environment to the commercial leasing and hospitality sectors in Hong Kong. We also noted that the potential impacts of various external and internal headwinds on the pace of growth of Hong Kong economy have begun to surface in the third quarter of 2018, as evidenced by the lower growth rates in real GDP, private consumption expenditure in real terms and retail sales which may in turn affect the growth of the commercial leasing sector as well as the hospitality sector in Hong Kong if the trend continues.

External environment

The US-China trade war has weighted on global economic sentiment and activities. In October 2018, the International Monetary Fund (the “IMF”) revised its 2018 and 2019 global economic growth forecast to 3.7%, as compared to 3.9% it had forecast in July 2018, and considered that there had been increased downside risks to global economic outlook. In January 2019, IMF further revised its 2019 global economic growth forecast to 3.5%.

Various trade talks have been held between the US and China to seek to reduce trade tensions. Positive momentum has been shown. It is uncertain whether the US and China can reach a trade deal during the 90-day truce, which expires on 1 March 2019. If the US and China eventually resolve the trade disputes, this will remove the uncertainties on global economy which

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

may arise as a result of the US-China trade war. Nevertheless, if the results of the trade talks are negative or not all issues are resolved, the global economy may be adversely affected.

Local environment

The local business sentiment has been affected by external uncertainties, in particular the US-China trade war and the US interest rate hikes. In late September 2018, major commercial banks in Hong Kong raised their best lending rates for the first time in 12 years after the US Federal Reserve (the “**Fed**”) raised the target range of its policy rate. On 20 December 2018, the Hong Kong Monetary Authority raised the base lending rate by 25 basis points for the fourth time in 2018, following the Fed’s monetary policy decision.

While the latest key economic data showed growth momentum and the local economy is expected to be supported by, among other things, the strategic development of the Guangdong-Hong Kong-Macao Greater Bay Area and the enhanced transportation infrastructure including the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link in the long run, the US-China trade war and the potential US interest rate rises may affect the growth of the local economy. If Hong Kong economy grows at a slower rate, this may affect the businesses of the tenants of the Group’s office and retail properties which may impact the operating performance of the Group’s investment properties in Hong Kong.

(b) China

(i) Economic growth

The Group’s PRC property development business is affected by the PRC economy. The table below sets out the PRC’s real GDP growth for the years indicated:

YoY growth	2015	2016	2017	2018
Real GDP	6.9%	6.7%	6.8%	6.6%

Source: National Bureau of Statistics of China

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The PRC's real GDP grew at 6.6% YoY in 2018, a slowdown in growth compared to the previous three years. In view of the slowdown of the economic growth and the impact of the US-China trade war, on 4 January 2019, the People's Bank of China announced a cut in banks' reserve requirement ratio, an example of economic stimulus measure implemented by the PRC government, which was the first in 2019 and the fifth in a year. The National Development and Reform Commission also plans to roll out incentives to stimulate consumer spending in vehicles and home appliances as part of a wider effort to stabilise economic growth.

(ii) Overview and outlook of the residential property market in Guangzhou, the PRC

Hopewell New Town is located in Huadu district, Guangzhou, the PRC. It is the only residential property project of the Group that is available for sale. Accordingly, the Group's revenue in the near term will be affected by the future sales recognition of such property project. Property prices and sales schedules will be principally affected by the general condition of the residential property market in Guangzhou, the PRC.

As disclosed in the annual report of the Company for the year ended 30 June 2018 (the "**2018 Annual Report**") and the 2019 Interim Report, the project was adversely affected by the tightening policies in the PRC property market. According to a report issued by Savills, an international real estate services provider, in relation to Guangzhou residential property market on 15 November 2018, the Guangzhou residential property market was operating in a tightening public policy environment as the relevant governmental authorities underwent a property market inspection campaign. Meanwhile, while investment and housing demands remain robust, mortgage loan approvals continue to be affected by the buying and mortgage curbs. Savills expected that the Guangzhou residential property market would leap into another consolidation cycles, with more pressure on those small-to-medium scale developers in the short-to-medium term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Financial information of the Group

(a) Financial position

The following table sets out the consolidated statement of financial position of the Company as at 30 June 2017, 30 June 2018 and 30 September 2018, as extracted from the 2018 Annual Report and the 2019 Interim Report:

		As at 30 September 2018	As at 30 June	
		<i>HK\$'000</i>	<i>2018</i>	<i>2017</i>
		<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets				
Completed investment properties	<i>(i)</i>	33,253,800	32,947,300	30,318,946
Property, plant and equipment ("PPE")	<i>(ii)</i>	753,495	767,299	700,246
Properties under development				
Commercial portion of Hopewell Centre II (investment properties)	<i>(iii)</i>	4,778,550	4,753,887	4,645,923
Hotel portion of Hopewell Centre II (PPE)	<i>(iii)</i>	2,686,346	2,654,217	2,537,700
QRE project (investment properties)	<i>(iii)</i>	1,124,495	1,119,900	776,930
Properties for development	<i>(iv)</i>	838,343	838,203	1,156,903
Interests in joint ventures				
Expressway projects		–	–	6,149,912
Power plant project	<i>(vii)</i>	1,085,044	1,110,554	1,143,386
Property development project	<i>(v)</i>	736,310	732,239	662,353
Interests in associates		39,076	38,660	38,548
Other assets		3,000	3,000	8,513
Total non-current assets		45,298,459	44,965,259	48,139,360
Current assets				
Inventories		8,561	7,998	8,070
Stock of properties	<i>(vi)</i>			
Under development		498,226	489,036	304,766
Completed		57,968	60,309	128,455
Trade and other receivables		49,024	41,429	37,132
Deposits and prepayments		141,223	133,863	149,303
Amount due from a joint venture		175,306	175,306	305,306
Bank balances and cash		9,675,426	10,364,439	4,575,902
Assets classified as held for sale (Broadwood Twelve)		–	–	292,100
Total current assets		10,605,734	11,272,380	5,801,034

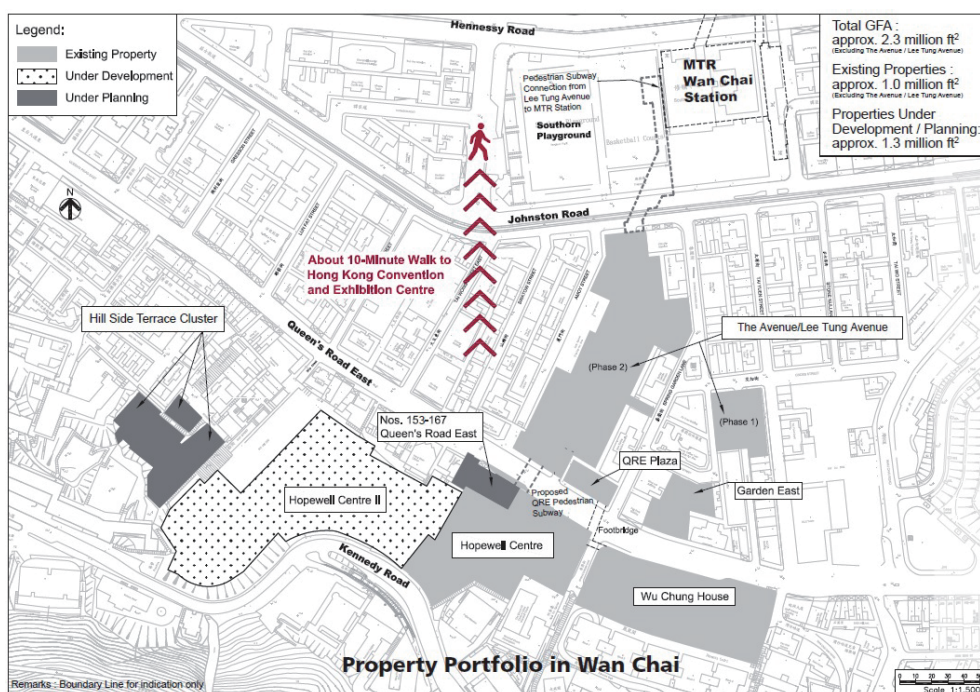
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 September 2018	As at 30 June	
	<i>HK\$'000</i>	2018	2017
	<i>(unaudited)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(audited)</i>	<i>(audited)</i>
Current liabilities			
Trade and other payables	619,790	639,423	511,957
Rental and other deposits	400,293	386,278	546,299
Tax liabilities	414,851	404,599	317,148
Bank borrowings	–	–	1,150,000
Liabilities associated with assets classified as held for sale	–	–	4,300
	<u>–</u>	<u>–</u>	<u>4,300</u>
Total current liabilities	1,434,934	1,430,300	2,529,704
Non-current liabilities			
Deferred tax liabilities	528,031	516,784	549,897
Other liabilities	53,966	53,966	53,966
Bank borrowings	1,400,000	1,400,000	1,200,000
	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,200,000</u>
Total non-current liabilities	1,981,997	1,970,750	1,803,863
Equity attributable to the Shareholders	52,303,414	52,647,227	47,246,064
Non-controlling interests	183,848	189,362	2,360,763
	<u>183,848</u>	<u>189,362</u>	<u>2,360,763</u>
Total equity	52,487,262	52,836,589	49,606,827
NAV of the Group per Share (HK\$)	60.2	60.6	54.3

As shown in the above table, the major assets of the Group are properties held by it. As at 30 September 2018, the aggregate carrying value of completed investment properties, properties under development, properties for development and stock of properties was approximately HK\$43.2 billion, of which (i) approximately 76.9% was completed investment properties which generate recurring rental income for the Group; (ii) approximately 21.8% was properties under development and properties for development which will not generate income for the Group in the near term; and (iii) approximately 0.1% was stock of completed properties which are available for sales.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's properties are principally located in Wan Chai, Hong Kong. Set out below is the map showing the Group's property portfolio in Wan Chai:



Source: 2019 Interim Report

(i) Investment properties

Completed investment properties, with a carrying value of approximately HK\$33,253.8 million as at 30 September 2018, mainly included office, retail and residential properties. The investment properties are (1) Hopewell Centre; (2) KITEC; (3) GardenEast; (4) QRE Plaza; (5) four commercial units, one restaurant unit and 80 carparking spaces at Wu Chung House; and (6) the shopping arcade and various carparking spaces of Panda Hotel.

Investment properties under development, with a carrying value of approximately HK\$5,903.0 million as at 30 September 2018, comprised the commercial portion of Hopewell Centre II and 153-167 Queen's Road East.

The Group's accounting policies stated that investment properties, which include completed investment properties and investment properties under development, are stated at fair values in the consolidated statement of financial position.

(ii) Property, plant and equipment

Property, plant and equipment, including the property of Panda Hotel and the self-occupied portion of Hopewell Centre, are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the consolidated statement of financial position. The carrying value of property, plant and equipment as at 30 September 2018 was approximately HK\$753.5 million.

(iii) Properties under development

Properties under development as at 30 September 2018 comprised investment properties under development as described above and the hotel portion of Hopewell Centre II which was stated at cost according to the Group's accounting policies.

Information of Hopewell Centre II is briefly summarised as follows:

Hopewell Centre II

Location	:	Wan Chai, Hong Kong
Total gross floor area	:	Around 101,600 square metres (“sq.m.”)
Nature of development	:	Primarily a conference hotel with approximately 1,024 guest rooms (hotel area of around 76,800 sq.m.), a retail area of around 24,800 sq.m. and a green park
Number of storeys	:	52 storeys
Estimated total investment	:	Around HK\$10 billion (including land premium of HK\$3,726 million and an estimated investment cost for a road improvement scheme and parks)
Status	:	Under construction (site formation and foundation works in progress)
Target completion of construction	:	End of 2021
Appraised value as at 30 November 2018	:	Approximately HK\$9.4 billion

Source: 2019 Interim Report and Valuation Report (as defined below)

The history of the Hopewell Centre II project can be traced back to 1994 when the Company initiated the plan of Hopewell Centre II and obtained the approval from the Town Planning Board for the hotel development of Hopewell Centre II (the “**1994 Scheme**”) as well as the approval for the general building plan of the 1994 Scheme. In January 2004, being approximately 10 years after the 1994 Scheme, the Company completed acquisition of all private properties within the Hopewell Centre II site boundary. In November 2008, the Company revised the development scale of Hopewell Centre II by reducing the storeys of the building from 93 to about 55. In October 2012, the Company took possession of the Hopewell Centre II site after agreeing on the land premium for land exchange with the government. The site formation work has commenced since late 2012. The road improvement road at the junction of Queen's Road East and Kennedy Road started in December 2015. In August 2017, the Town Planning Board

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approved the revised scheme of Hopewell Centre II to enhance the pedestrian connectivity in Wan Chai South. As at the Latest Practicable Date, the site formation and foundation works of Hopewell Centre II were still in progress.

For further details of Hopewell Centre II, please refer to the 2019 Interim Report or its website at <http://www.hopewellcentre2.com/eng/>.

Information of 153-167 Queen's Road East is briefly summarised as follows:

153-167 Queen's Road East

Location	:	Wan Chai, Hong Kong
Estimated development gross floor area	:	Around 90,000 square feet
Proposed use	:	Commercial
Estimated total investment	:	Around HK\$1.2 billion
Status	:	Demolition works were completed
Target commencement of operation	:	2022
Appraised value as at 30 November 2018	:	Approximately HK\$1.1 billion

Source: 2019 Interim Report and Valuation Report (as defined below)

(iv) Properties for development

Properties for development represents properties acquired for future development of which the development plan is yet to be fixed. Major properties for development include Hill Side Terrace Cluster comprising 1-3 Hill Side Terrace, 1A Hill Side Terrace, Nam Koo Terrace, Miu Kang Terrace and Schooner Street Site. These properties are measured under cost model according to the Group's accounting policies.

(v) Interests in joint ventures – property development project

This represents the Group's 50% interest in a joint venture company between the Group and Sino Land Company Limited. The property held by such joint venture company is Lee Tung Avenue in Wan Chai.

(vi) Stock of properties

Stock of properties are completed properties and properties under development for sale, comprising Hopewell New Town in Huadu district, Guangzhou, the PRC. These properties are stated at the lower of cost and net realisable value according to the Group's accounting policies.

Hopewell New Town is a composite development consisting of residential, commercial and recreational facilities. The project is partly developed and partly under construction. Hopewell New Town is the only residential property project of the Group that is available for sale. The remaining portion of the land is held for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

future development. Up to 30 September 2018, approximately 483,900 sq.m., or 44% of the total plot ratio gross floor area, of Hopewell New Town was sold and booked. In December 2018, the Group resumed selling certain residential units by pre-sale.

Information of Hopewell New Town (excluding properties sold and the property occupied by the Group) is briefly summarised as follows:

Hopewell New Town

	Unsold portions of Phases 1A, 1B, 2, 3, 4A and 4B	Phases 5A and 6	Phases 5B, 7, 8, 9, 10, 11, 12, E1 and E2
Location	:	Huadu district, Guangzhou, the PRC	
Gross floor area (sq.m.)	:		
Residential		343.19	127,022.60
Retail		12,746.60	938.60
Carparking space		20,118.94	47,395.70
Hotel		–	15,486
Office		–	47,563
		—————	—————
Total		33,208.73	*175,356.90
			*736,764
Total estimated construction cost (excluding land cost)	:	–	RMB594 million
Construction cost (excluding land cost) expended as at 30 November 2018	:	–	RMB196 million
Status	:	Completed	Under construction
			Vacant land pending development
Target completion of construction	:	–	By phases in between 2019 and 2020
Appraised value attributable to the Shareholders as at 30 November 2018	:	Approximately RMB0.5 billion	Approximately RMB2.0 billion
			Approximately RMB1.5 billion

Source: Valuation Report (as defined below)

* Planned gross floor area

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vii) Interests in joint ventures – power plant project

The Group's only power plant investment is Shenzhen Energy Hopewell Power (Heyuan) Co., Ltd. ("**Heyuan JV**"), a joint venture company established with a PRC enterprise, for the joint development of a power plant in Heyuan City of Guangdong Province, the PRC, for an operation period of 30 years from 14 September 2007. The Company has 35% effective interest in Heyuan JV and is entitled to 40% of the results from the operation of the power plant through a non-wholly owned subsidiary.

(viii) Capital expenditures

As disclosed in the 2019 Interim Report, the Group's total commitment in respect of development costs of its projects, which has been contracted for but not provided, amounted to approximately HK\$654.3 million, comprising approximately HK\$281 million in relation to Hopewell Centre II and approximately HK\$311.9 million in relation to Hopewell New Town.

In respect of the development of Hopewell Centre II, the total investment is estimated to be around HK\$10 billion. According to the 2019 Interim Report, up to 30 June 2018, around HK\$4.9 billion (including land premium of around HK\$3.7 billion) of capital expenditure was incurred. For the three years ending 31 March 2021 and beyond, it is expected that an additional capital expenditure of approximately HK\$5 billion will be incurred. As disclosed in the 2019 Interim Report, the development of Hopewell Centre II will be financed by the Group's internal resources and/or external bank borrowings. Given that HK\$5 billion of the proceeds from the HHI Disposal has been earmarked for financing part of the development of the Wan Chai Projects, we consider that the Group has the capability to finance the remaining development costs of Hopewell Centre II principally by its internal resources.

In respect of the development of 153-167 Queen's Road East, the total investment is estimated to be approximately HK\$1.2 billion. The remaining capital expenditure is estimated to be approximately HK\$460 million.

The capital expenditure plan for Hill Side Terrace Cluster has not yet been determined as its development plan has yet to be fixed.

(ix) Borrowings and indebtedness position

As at 30 September 2018, the Group had bank balances and cash and bank borrowings of approximately HK\$9,675.4 million and HK\$1,400 million, respectively, resulting in a net cash position. As at 30 September 2018, the Group's available banking facilities amounted to approximately HK\$3,340 million which included undrawn bank overdrafts and uncommitted banking facilities of approximately HK\$540 million. Based on the aforesaid, we consider that the Group has strong financial capability to meet its capital commitments and development needs in the near term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial performance

The following table sets out information of the consolidated statements of profit or loss and other comprehensive income of the Group for the two years ended 30 June 2018 and the six months ended 30 September 2017 and 2018, as extracted from the 2018 Annual Report and the 2019 Interim Report:

	For the six months ended 30 September		For the year ended 30 June	
	<i>(Note 1)</i>			
	2018	2017	2018	2017
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(restated)</i>
<i>Continuing operations</i>				
Turnover	815	1,023	1,984	2,360
Cost of sales and services	<u>(317)</u>	<u>(368)</u>	<u>(695)</u>	<u>(944)</u>
Gross profit	498	655	1,289	1,416
Profit before taxation	1,537	1,553	3,719	1,889
Income tax expense	<u>(67)</u>	<u>(163)</u>	<u>(273)</u>	<u>(344)</u>
Profit for the year/period from continuing operations	1,470	1,390	3,446	1,545
<i>Discontinued operation (Expressway projects)</i>				
Gain on disposal of HHI after taxation	5,120	–	5,120	–
Profit for the year/period from toll road investment	<u>8</u>	<u>431</u>	<u>637</u>	<u>678</u>
Profit for the year/period from discontinued operation	5,128	431	5,757	678
Profit for the year/period	6,598	1,821	9,203	2,223
Profit attributable to the Shareholders				
Continuing operations	1,468	1,385	3,439	1,521
Discontinued operation	<u>5,125</u>	<u>278</u>	<u>5,530</u>	<u>440</u>
	6,593	1,663	8,969	1,961
Earnings per Share (HK\$)				
Continuing operations	1.69	1.59	3.95	1.75
Dividend per Share (HK\$)				
	0.30	N/A	3.43	1.75

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out further information in respect of the Group's financial performance for the two years ended 30 June 2018 and the six months ended 30 September 2017 and 2018, as set out in the 2018 Annual Report and the 2019 Interim Report:

	For the six months ended 30 September <i>(Note 1)</i>		For the year ended 30 June	
	2018	2017	2018	2017
	<i>HK\$'million</i> <i>(unaudited)</i>	<i>HK\$'million</i> <i>(unaudited)</i>	<i>HK\$'million</i> <i>(audited)</i>	<i>HK\$'million</i> <i>(restated)</i>
<i>Continuing operations</i>				
Revenue (Note 2)	1,430	1,950	3,628	4,127
Property investment	597	576	1,176	1,149
Hotel, restaurant and catering operation	231	194	534	465
Property development	1	686	799	1,605
Power plant	494	453	1,009	833
Treasury income	107	41	110	75
EBIT (Note 3)	464	606	1,172	1,274
Property investment	386	370	790	768
Hotel, restaurant and catering operation	38	26	127	96
Property development	(11)	224	272	434
Power plant	14	1	4	32
Treasury income	107	41	110	75
Others	(70)	(56)	(131)	(131)
<i>Discontinued operation</i>				
Toll road investment				
Revenue (Note 2)	24	1,304	1,974	2,463
EBIT (Note 3)	8	462	678	720
<i>Continuing and discontinued operations</i>				
Profit attributable to the Shareholders before fair value gain of completed investment properties	5,514	709	6,405	1,334
Less: Net gain on disposal of HHI (net of tax)	(5,120)	–	(5,120)	–
Core profit attributable to the Shareholders	394	709	1,285	1,334

Notes:

- As set out in the announcement of the Company dated 8 May 2018, the Board resolved to change the financial year end date from 30 June to 31 March following the publication of the audited consolidated financial statements of the Company for the year ended 30 June 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The financial information for the six months ended 30 September 2018 (with comparative figures) is presented to facilitate a better understanding of the Group's operating results in the first half-year period of 2018/2019 when applying the new financial year end date.

2. *Segment revenue included the turnover as presented in consolidated statement of profit or loss and other comprehensive income, sales of assets classified as held for sale, treasury income of the Group (mainly interest income from bank balances) and the Group's attributable share of revenue of joint ventures.*
3. *Represented EBIT of the Group plus net profits (after interest and tax) shared from joint ventures.*

(i) Revenue

Revenue of the Group is mainly derived from (1) property investment; (2) hotel, restaurant and catering operation; (3) property development; and (4) power plant investments and operation.

(1) Property investment

Revenue from property investment business mainly represents office rental income, retail rental income as well as air conditioning and management fee, which accounted for approximately 36.3%, 28.5% and 14.3% of the revenue for the property investment business for the year ended 30 June 2018. Office rental income and retail rental income remained the main revenue sources for the property investment business for the six months ended 30 September 2018.

Hopewell Centre and KITEC are two major investment properties of the Group, in terms of revenue contribution and appraised value. As stated in the 2018 Annual Report, rental income derived from Hopewell Centre, the office portion of KITEC, the convention, exhibition and entertainment business of KITEC, Panda Place, QRE Plaza and GardenEast was approximately HK\$476 million, HK\$137 million, HK\$70 million, HK\$65 million, HK\$40 million and HK\$77 million, representing approximately 40.5%, 11.6%, 6.0%, 5.5%, 3.4% and 6.5% of the revenue of the property investment business, for the year ended 30 June 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Average occupancy rates for the Group's completed investment properties remained at high levels for the five years ended 30 June 2018 and the six months ended 30 September 2018, as set out below:

	Average occupancy rate					
	2014	Year ended 30 June			2018	Six months ended 30 September 2018
	2014	2015	2016	2017	2018	2018
Hopewell Centre	96%	95%	93%	89%	92%	96%
KITEC Office	96%	96%	96%	94%	90%	93%
KITEC E-Max	85%	88%	90%	80%	77%	80%
Panda Place	97%	95%	96%	98%	97%	98%
QRE Plaza	94%	91%	100%	96%	98%	99%
Lee Tung Avenue*	–	–	96%	96%	95%	98%
GardenEast (apartments)	95%	94%	82%	93%	91%	93%

Source: 2015-2018 annual reports of the Company and the 2019 Interim Report

* The Group has 50% interest in the joint venture

Hopewell Centre

As stated in the 2019 Interim Report, the occupancy rate of the office portion of Hopewell Centre reached 100% subsequent to the new lease signed with a publicly-listed international insurance company, AIA Group, in the second quarter of 2018 and that of the retail portion of Hopewell Centre was 95% as at 30 September 2018.

As disclosed in the 2019 Interim Report, the Group expects the spot office rent will rise at a milder pace given the uncertainty in the economic environment, but rent rises for Hopewell Centre by phases when Hopewell Centre II's site formation and foundation works complete and Hopewell Centre II opens whereby the surroundings in Wan Chai will be further upgraded. Accordingly, we consider that the operating performance of Hopewell Centre will remain stable and without significant rental uplift before the opening of Hopewell Centre II.

KITEC Office

The average occupancy rate of KITEC's office portion was 93% for the six months ended 30 September 2018, up from 90% for the year ended 30 June 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the 2019 Interim Report, with new leases signed with ViuTV and the Registration and Electoral Office in the fourth quarter of 2017 and March 2018, respectively, the Group expects a mild growth in rental income for the year ending 31 March 2019, despite the keen competition of office rental market in Kowloon East. Moreover, demand for KITEC's office space is expected to be driven by the increased traffic flows resulting from the construction of the Central Kowloon Route linking Yau Ma Tei with Kowloon Bay and the Kai Tak area which is expected to be commissioned in 2025 as well as the Shatin to Central Link which is expected to be commissioned in 2019 and 2021 in two stages, according to Highways Department of the Hong Kong Government. The Group expects a rental uplift when Kowloon East becomes more developed as a business district in the long term. Based on the development plans of the aforementioned infrastructure and the Kai Tak area residential and recreational developments, we consider that the operating performance of KITEC Office will remain stable in the short term.

KITEC E-Max

E-Max is an entertainment-driven shopping arcade that includes a live house (a music showcase venue), the Metroplex (a multi-cinema complex) and Star Hall (a performance showcase venue). The average occupancy rate of E-Max was 80% for the six months ended 30 September 2018, up from 77% for the year ended 30 June 2018. The relatively low occupancy rate of E-Max for the year ended 30 June 2018 was primarily due to the vacation of tenants in the first quarter of 2017 for the expansion of the rental area before leasing out to new tenants from July 2018.

As disclosed in the 2019 Interim Report, the Group has optimised and refined the tenant mix at E-Max since 2014 along with the opening of the Metroplex, including, among other things, (a) expansion of the retail area in the second quarter of 2017 and introduction of a number of sporting and fashion brands since July 2018, including New Balance, Royal Sporting House, Dr. Martens, Descente, Munsingwear and Le Coq Sportif; and (b) the proposed opening of a classical indoor amusement park, "The Wonderful World of Whimsy".

Overall performance

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the revenue from property investment business accounted for approximately 27.8%, 32.4% and 41.7% of total revenue from continuing operations, and the EBIT from property investment accounted for approximately 60.3%, 67.4% and 83.2% of total EBIT from continuing operations, respectively. For the same periods, office rental revenue recorded a growth whereas retail rental revenue was at the same level as the previous year or period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 30 June 2018, the revenue and EBIT for the Group's property investment business increased by approximately 2.3% and 2.9%, respectively, as compared to the year ended 30 June 2017, primarily attributable to the rise in office rental income as new tenants moved in Hopewell Centre as mentioned above.

For the six months ended 30 September 2018, the revenue and EBIT for the Group's property investment business grew by approximately 3.6% and 4.3%, respectively, as compared to the corresponding period in 2017, mainly attributable to the rise in office rental income as new tenants moved in Hopewell Centre and new leases signed for KITEC as mentioned above.

(2) Hotel, restaurant and catering operation

The Group's hospitality business comprises operations of Panda Hotel and restaurant and catering services of KITEC.

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the revenue from hotel, restaurant and catering operation accounted for approximately 11.3%, 14.7% and 16.2% of total revenue from continuing operations, and the EBIT from hotel, restaurant and catering operation accounted for approximately 7.5%, 10.8% and 8.2% of total EBIT from continuing operations, respectively.

For the year ended 30 June 2018, the revenue and EBIT for the Group's hospitality business increased by approximately 14.8% and 32.3%, respectively, as compared to the same period in the previous year, mainly due to (a) the increase in room revenue resulting from the increase in average room rate while the average occupancy rate remaining at high level; and (b) the increase in food and beverage revenue primarily attributable to the increase in corporate and social banquet events as well as more wedding banquet businesses generated from the new venue, The Glass Pavilion in KITEC.

As a result, the revenue and EBIT for the Group's hospitality business increased by approximately 19.1% and 46.2%, respectively, for the six months ended 30 September 2018 as compared to the corresponding period in 2017.

The average occupancy rate of Panda Hotel was 96% for the six months ended 30 September 2018, similar to the level of 97% for the year ended 30 June 2018. As disclosed in the 2019 Interim Report, the Group was cautiously optimistic about the outlook of the hotel industry in Hong Kong despite the gradual recovery of the industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Property development

For the two years ended 30 June 2018 and the six months ended 30 September 2018, revenue from property development accounted for approximately 38.9%, 22.0% and 0.1% of total revenue from continuing operations, respectively. EBIT from property development accounted for approximately 34.1% and 23.2% of total EBIT from continuing operations for the two years ended 30 June 2018, respectively. For the six months ended 30 September 2018, the property development business incurred a loss before interest and tax of approximately HK\$11 million.

For the year ended 30 June 2018, the revenue and EBIT for the Group's property development business decreased by approximately 50.2% and 37.3%, respectively, as compared to the previous year, mainly attributable to the decrease in sales recognition of the properties of Hopewell New Town given the tightening policies in the PRC property market, and the residential units of The Avenue located in Wan Chai, Hong Kong.

For the six months ended 30 September 2018, as a result of the tightening policies in the PRC property market, no residential sales were launched and all the revenue from the PRC property development was generated from car park sales of Hopewell New Town.

Up to 30 September 2018, approximately 483,900 sq.m., or 44% of the total plot ratio gross floor area, of Hopewell New Town was sold and booked. All residential units of The Avenue and Broadwood Twelve were sold as at 31 December 2017 and 30 June 2018, respectively.

(4) Power plant investments and operation

For the two years ended 30 June 2018 and the six months ended 30 September 2018, the EBIT from power plant investments and operation accounted for approximately 2.5%, 0.3% and 3.0% of total EBIT from continuing operations, respectively. As disclosed in the 2019 Interim Report, the Group expected that the power plant operation would continue to provide it with stable cash flow contributions.

(ii) Gross profit margin

For the two years ended 30 June 2018 and the six months ended 30 September 2018, gross profit margins of the Group were approximately 60.0%, 65.0% and 61.1%, respectively.

(iii) Gain on disposal of discontinued operation

Following completion of the HHI Disposal on 4 April 2018, the Group is no longer engaged in toll road business. The consolidated results of the toll road investment business were presented and restated as a discontinued operation in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group's financial statements. The consideration for the HHI Disposal was approximately HK\$9,865.38 million. The Group recorded a post-tax net gain on the HHI Disposal of approximately HK\$5,119.9 million, which was recognised as a one-off gain for the year ended 30 June 2018 and the six months ended 30 September 2018.

(iv) Profit and core profit attributable to the Shareholders

As a result of the post-tax net gain on the HHI Disposal, the profit attributable to the Shareholders before fair value gain of completed investment properties increased from approximately HK\$1,334 million for the year ended 30 June 2017 to approximately HK\$6,405 million for the year ended 30 June 2018 and increased from approximately HK\$709 million for the six months ended 30 September 2017 to approximately HK\$5,514 million for the six months ended 30 September 2018.

Taking into account the post-tax net gain on the HHI Disposal and the fair value gain of completed investment properties, the profit attributable to the Shareholders increased significantly (a) from approximately HK\$1,961.3 million for the year ended 30 June 2017 to approximately HK\$8,969.5 million for the year ended 30 June 2018; and (b) from approximately HK\$1,662.7 million for the six months ended 30 September 2017 to approximately HK\$6,592.8 million for the six months ended 30 September 2018.

Excluding the post-tax net gain on the HHI Disposal and the fair value gain of completed investment properties, the core profit attributable to the Shareholders amounted to approximately HK\$1,285 million and HK\$394 million for the year ended 30 June 2018 and the six months ended 30 September 2018, respectively. The declines were mainly attributable to the decrease in toll road business's contribution following the HHI Disposal and the decrease in profit recognised for the sale of residential properties including Hopewell New Town, Broadwood Twelve and The Avenue.

(v) Dividend paid to the Shareholders

The total dividend declared for the year ended 30 June 2018 was HK\$3.43 per Share, comprising (a) the first interim dividend of HK\$0.55 per Share; (b) the second interim dividend of HK\$0.88 per Share in lieu of final dividend; and (c) the special interim dividend of HK\$2.00 per Share attributable to the HHI Disposal. The first interim dividend declared in respect of the year ending 31 March 2019 was HK\$0.30 per Share.

Excluding the special interim dividend, the dividends for the year ended 30 June 2018 represents a payout ratio of 97% of the Group's core profit attributable to the Shareholders. As stated in the 2018 Annual Report, the Board intended that in the years before Hopewell Centre II opens, barring unforeseen circumstances, 90% to 100% of the core profit on a full year basis was targeted to be distributed as dividends to the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The dividend yields, as represented by the second interim dividend of HK\$0.88 per Share for the year ended 30 June 2018, the first interim dividend of HK\$0.30 for the year ending 31 March 2019 and the closing price of the Shares on the Last Trading Date of HK\$26.45 per Share and the Cancellation Price of HK\$38.80 per Scheme Share, were approximately 4.5% and 3.0%, respectively.

(c) Overall comments

The revenue and EBIT of the Group are to a large extent driven by its property investment and property development businesses. For the year ended 30 June 2018 and the six months ended 30 September 2018, despite moderate growth in revenue and EBIT generated from property investment and hotel, restaurant and catering operation businesses, the core profit attributable to the Shareholders dropped by approximately 3.7% and 44.4%, respectively, as compared to the previous year or period. The decreases were mainly attributable to the decrease in profit from sale of properties and the decrease in profit generated from the toll road business following the HHI Disposal in April 2018.

Around HK\$5 billion of the net proceeds from the HHI Disposal has been earmarked for financing the Wan Chai Projects, which will not generate immediate return until commencement of the operations.

(i) Property investment

For the property investment business, other than KITEC E-Max's average occupancy rate of 80%, other investment properties held by the Group recorded average occupancy rates of over 90% for the six months ended 30 September 2018. Hopewell Centre and KITEC are major investment properties of the Group.

Hopewell Centre

The occupancy rate of the office portion of Hopewell Centre reached 100% in the second quarter of 2018 and that of the retail portion of Hopewell Centre was 95% as at 30 September 2018. Given the high occupancy rates, the revenue growth of Hopewell Centre will be largely dependent on rental uplift in the future. As stated in the 2019 Interim Report, the spot office rent was expected to rise mildly given the uncertainty in the economic environment and the rental uplift for Hopewell Centre was expected to occur by phases when Hopewell Centre II's site formation and foundation works complete and Hopewell Centre II opens whereby the surroundings in Wan Chai would be further upgraded. Accordingly, we consider that the operating performance of Hopewell Centre will remain stable and without significant rental uplift before the opening of Hopewell Centre II.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

KITEC

Regarding KITEC, as disclosed in the 2019 Interim Report, while the Group considers there is keen competition of office rental market in Kowloon East and expects a mild growth in rental income from the office portion for the year ending 31 March 2019, given the recent new leases signed, there is growth potential in the retail portion (i.e. E-Max) driven by the increase in footfall resulting from a number of initiatives taken by the Group in optimising the tenant mix since 2014.

While KITEC E-Max represents a growth potential for the Group with the average occupancy rate of 80% for the six months ended 30 September 2018, we consider that the growth of the Group's overall property investment business may be limited in the near term given the high occupancy rates of other investment properties in general and the lack of new investment properties before opening of 153-167 Queen's Road East and Hopewell Centre II.

Hopewell Centre II

The planning and development of Hopewell Centre II have been a prolonged process which can be traced back to 1994. Given the total investment of Hopewell Centre II is estimated to be around HK\$10 billion, Hopewell Centre II will be one of the major investment properties and hotel properties of the Group. The total planned gross floor area of Hopewell Centre II is around 101,600 sq.m., equivalent to approximately 30.7% of the total gross floor area of the completed investment properties and hotel property of the Group (including property interests held by joint venture but excluding carparking spaces) as at 30 June 2018. Based on the 2019 Interim Report, the formation and foundation works of Hopewell Centre II are targeted to complete in 2019. The target date of completion of the construction work of Hopewell Centre II is end of 2021. Following completion of the construction work, the Group will carry out renovation works. There are risks associated with this mega size development project, in particular, completion of the construction according to the schedule and budget.

The operating results of Hopewell Centre II would affect the core profit of the Group in the future. Hopewell Centre II is still in a preliminary stage of development. Based on the construction schedule, Hopewell Centre II will only generate revenue for the Group after 2021. As stated in the Explanatory Statement, Hopewell Centre II takes time before reaching steady rental and operating performances post property completion and opening. As such, there are uncertainties in the financial performance of the Group in the medium to longer term relating to the performance of Hopewell Centre II, which in turn may affect the Share prices and the amount of dividend payments in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

future. Furthermore, it is difficult to estimate the extent of impact of the earning potential and/or the value of Hopewell Centre II on future Share prices.

(ii) Property development

For the property development business, the Group did not sell any residential unit for the six months ended 30 September 2018 due to the tightening measures in the PRC property market. As at 30 September 2018, save for Hopewell New Town in Guangzhou, the residential units of the Group's other properties held for sale including The Avenue and Broadwood Twelve were all sold.

As shown above, the decline of core profit attributable to the Shareholders by approximately HK\$315 million or 44.4% from HK\$709 million for the six months ended 30 September 2017 to approximately HK\$394 million for the six months ended 30 September 2018 was mainly attributable to the decrease in EBIT of the property development business by approximately HK\$235 million. As such, the recognition of property sales of Hopewell New Centre would affect the Group's financial results and therefore the amount of dividend payments in the near future.

5. Valuation of the property interests and Adjusted NAV of the Group

(a) Valuation of the property interests

The valuation of the Group's property interests as at 30 November 2018 was conducted by Cushman & Wakefield Limited (the "**Valuer**"), an independent valuer.

We have conducted an interview with the Valuer to enquire its experience in valuing similar property interests in Hong Kong and the PRC and its independence. We have also reviewed the terms of engagement of the Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the valuation report set out in Appendix II to this Scheme Document (the "**Valuation Report**"). The non-disclosure of the addresses and individual valuations of certain properties in the Valuation Report will not affect our analysis and recommendation in respect of the Proposal.

The Valuer confirmed that it has performed site visits to each of the properties set out in the Valuation Report. We have also performed site visits to the Group's properties located in Wan Chai including Hopewell Centre II and also Hopewell New Town in the PRC. We have also discussed with the management of the Group to understand the latest status as well as the development and funding plans of the Wan Chai Projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Valuation Report, the total market value of the property interests in existing state attributable to the Shareholders as at 30 November 2018 was approximately HK\$55.7 billion, as set out below:

		Market value of the property interest in existing state attributable to the Shareholders <i>HK\$' million</i>	Proportion of total
Completed investment properties (including other properties in PPE)	(i)	34,985	62.8%
Hotel property (PPE)	(ii)	3,285	5.9%
Properties under/for development	(iii)	11,950	21.4%
Properties held by joint venture/ associate	(iv)	888	1.6%
Stock of properties	(v)	4,599	8.3%
 Total		55,707	100.0%

- (i) The aggregate market value of completed investment properties (including other properties in PPE), which generate recurring revenue for the Group, was approximately HK\$35.0 billion, representing approximately 62.8% of the total appraised value (the “**Appraised Value**”) of the property interests attributable to the Shareholders as at 30 November 2018.

Completed investment properties mainly comprise office, retail and residential properties. The properties are (1) Hopewell Centre; (2) KITEC; (3) GardenEast; (4) QRE Plaza; (5) four commercial units, one restaurant unit and 80 carparking spaces at Wu Chung House; and (6) the shopping arcade and various carparking spaces of Panda Hotel. These properties were mainly valued at, using income capitalisation method (the “**Income Method**”), by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties and making reference to lettings within the subject property as well as other relevant comparable rental evidences and comparable sales transactions.

- (ii) The hotel portion of Panda Hotel was valued at approximately HK\$3.3 billion as at 30 November 2018, representing approximately 5.9% of the Appraised Value. It was valued by direct comparison method (the “**Direct Comparison Method**”) by making reference to comparable sales transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) Properties under/for development, mainly comprising Hopewell Centre II, 153-167 Queen's Road East and Hill Side Terrace Cluster, were valued at approximately HK\$12.0 billion as at 30 November 2018, representing approximately 21.4% of the Appraised Value.

In arriving the valuation of the properties, the Valuer has taken into consideration of the gross development value (market value as if completed), the development costs incurred and the costs that will be incurred to complete the proposed developments. The gross development value was assessed using the Direct Comparison Method and taking into account comparable sales transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors.

- (iv) This represents the property interests held by the Group's joint venture and associate and attributable to the Shareholders, which were valued by either (1) the Income Method; or (2) the Direct Comparison Method.
- (v) Stock of properties, comprising Hopewell New Town in the PRC, were valued at approximately HK\$4.6 billion as at 30 November 2018, representing approximately 8.3% of the Appraised Value.

Hopewell New Town principally consists of properties for sale, properties under development and properties for future development. These properties were valued by the Direct Comparison Method. The value of the properties under development was arrived after taking into account the development costs incurred and to be incurred to complete the proposed development.

As stated in the Valuation Report, the valuation is conducted in compliance with the standards and guidelines set out in the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors, Rule 11 of the Takeovers Code and Chapter 5 and Practice Note 12 of the Listing Rules. We have reviewed and discussed the property valuation with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the value of the property interests. In particular, we have discussed with the Valuer to assess whether the approaches are appropriate for each type of properties stated above. We have also reviewed the valuation methodologies adopted for different types of properties of certain property companies and noted that the methodologies adopted in the Valuation Report are usual. Completed investment properties, the commercial portion of Hopewell Centre II and 153-167 Queen's Road East were stated at fair values in the consolidated statement of financial position as at 30 September 2018. We noted that the valuation methodologies adopted in appraising these properties as at 30 November 2018 in the Valuation Report were consistent with those applied for the valuation of the properties as at 30 September 2018 as disclosed in the 2019 Interim Report. Taking into consideration of the nature of the properties and that the valuation is conducted in accordance with the aforesaid requirements, we consider that the methodologies and basis adopted by the Valuer for determining the value of the property interests are appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Adjusted NAV of the Group

The unaudited consolidated financial statements of the Company as at 30 September 2018 are incorporated in Appendix I to this Scheme Document and extracted in the section headed “4. Financial information of the Group” above. The net assets attributable to the Shareholders as at 30 September 2018 were approximately HK\$52,303.4 million (or approximately HK\$60.2 per Share).

As disclosed in the 2019 Interim Report, the adjusted shareholders’ equity on a per Share basis was approximately HK\$66.2 as at 30 September 2018, which was based on the unaudited NAV of the Group adjusted by the underlying market value of the Group’s hotel properties (comprising Panda Hotel and the hotel portion of Hopewell Centre II) as at 30 September 2018.

Some of the property interests of the Group were stated at cost basis in accordance with Hong Kong Financial Reporting Standards. Given that the amount of these property interests were included in the aforesaid two methods of computation, we consider that the appraised value of all properties interests held by the Group is more appropriate to assess the net asset backing of the Group. For this purpose, we have reviewed the Adjusted NAV of the Group, based on the unaudited consolidated financial statements of the Company as at 30 September 2018 and the adjustments as set out in the table below, which include the revaluation surplus arising from property valuation, net of estimated deferred tax:

	<i>HK\$’million</i>
Unaudited NAV of the Group as at 30 September 2018	52,303
<i>Adjustments:</i>	
– Revaluation surplus arising from the valuation of property interests attributable to the Shareholders as at 30 November 2018 (<i>Note 1</i>)	10,829
– Deferred tax on attributable revaluation surplus (<i>Note 2</i>)	(3,764)
– First interim dividend for the year ending 31 March 2019 of HK\$0.30 per Share paid on 23 November 2018	(260)
 Adjusted NAV of the Group	 59,108
 Adjusted NAV of the Group per Share (HK\$) (<i>Note 3</i>)	 68.05
Cancellation Price per Scheme Share (HK\$)	38.80
Discount to Adjusted NAV of the Group per Share	43.0%

Notes:

1. *Represented the revaluation surplus (the “Revaluation Surplus”) arising from the excess of the market value of the property interests held by the Group (including joint venture and associate) in existing state attributable to the Shareholders of approximately HK\$55,707 million as at 30 November 2018, as appraised by the Valuer, over their corresponding book values attributable to the Shareholders of approximately HK\$44,878 million as at 30 November 2018, after adjusting for relevant interests not attributable to the Group. Among the total revaluation surplus, approximately HK\$6,676 million and HK\$4,153 million were attributable to the Group’s properties located in Hong Kong and the PRC, respectively.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Represents deferred tax (the “**Deferred Tax**”) on temporary differences between the market values of the property interests and the corresponding tax base used in computation of taxable profit, except that no deferred tax is provided for investment properties located in Hong Kong as the market value of such properties are presumed to be recovered through sale. Deferred tax is calculated at tax rates of 16.5% for Hong Kong profits tax and 25% for PRC corporate income tax, while land appreciation tax is estimated at progressive rates ranging from 30% to 60% of appreciation value with certain allowable deductions according to the relevant PRC tax laws and regulations. Among the Deferred Tax, approximately HK\$1,037 million and HK\$2,727 million were attributable to the Group’s properties located in Hong Kong (comprising hotel properties and own-used portions of investment properties) and the PRC, respectively.
3. Based on 868,620,621 Shares in issue as at the Latest Practicable Date.

As shown above, the Cancellation Price of HK\$38.80 per Scheme Share represents a discount of approximately 43.0% to the Adjusted NAV of the Group of approximately HK\$68.05 per Share. We have reviewed the computation of the Adjusted NAV prepared by the management and discussed the computation in respect of the Revaluation Surplus and the Deferred Tax with the Company’s auditors. We therefore consider that the calculation of the Adjusted NAV of the Group to be appropriate. Further analysis in this regard is set out in the section headed “7. Evaluation of the Cancellation Price – (e) Privatisation Precedents” below.

6. Trading volume of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total issued Shares and the public float during the period from 1 January 2017 to the Latest Practicable Date:

	Average daily trading volume	Approximately % of average daily trading volume to the total issued Shares (Note 1)	Approximately % of average daily trading volume to the public float (Note 2)
2017			
January	460,851	0.05	0.08
February	771,137	0.09	0.14
March	529,150	0.06	0.09
April	355,563	0.04	0.06
May	275,387	0.03	0.05
June	282,682	0.03	0.05
July	225,266	0.03	0.04
August	452,421	0.05	0.08
September	416,287	0.05	0.07
October	342,826	0.04	0.06
November	349,476	0.04	0.06
December	748,992	0.09	0.13
2017 average	434,170	0.05	0.08

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Average daily trading volume	Approximately % of average daily trading volume to the total issued Shares (Note 1)	Approximately % of average daily trading volume to the public float (Note 2)
2018			
January	1,686,234	0.19	0.30
February	908,785	0.10	0.16
March	515,119	0.06	0.09
April	990,342	0.11	0.18
May	653,001	0.08	0.12
June	419,957	0.05	0.07
July	362,304	0.04	0.06
August	381,693	0.04	0.07
September	859,454	0.10	0.15
October	601,090	0.07	0.11
November	664,356	0.08	0.12
December	3,934,251	0.45	0.70
2018 average	998,049	0.11	0.18
2019			
January	1,745,086	0.20	0.31
From 1 February to the Latest Practicable Date	1,654,315	0.19	0.30

Source: Bloomberg

Notes:

1. Based on the number of total issued Shares as at each month end or the Latest Practicable Date.
2. Based on the number of Shares held by the public as at each month end or the Latest Practicable Date as extracted from Bloomberg.

As illustrated above, the average daily trading volume of the Shares during the above period represented approximately 0.03% to 0.45% of the total issued Shares and approximately 0.04% to 0.70% of the issued Shares held by the public. We consider that the relatively high daily trading volumes in January and December 2018 were primarily attributable to the announcement of the HHI Disposal in December 2017, the declaration of a special conditional dividend of HK\$2.00 per Share in January 2018 and the Proposal in December 2018. Since the publication of the Joint Announcement, there has been a surge in trading volume of the Shares, reflecting the market reaction to the Proposal.

As illustrated in the above table, the trading of the Shares was not active. Given the thin liquidity of the Shares, it may be difficult for the Scheme Shareholders to dispose of a significant number of Shares without exerting downward pressure on the Share prices. The Proposal represents an opportunity for the Scheme Shareholders to exit at the fixed Cancellation Price which is substantially above the market prices prior to the issue of the Joint Announcement.

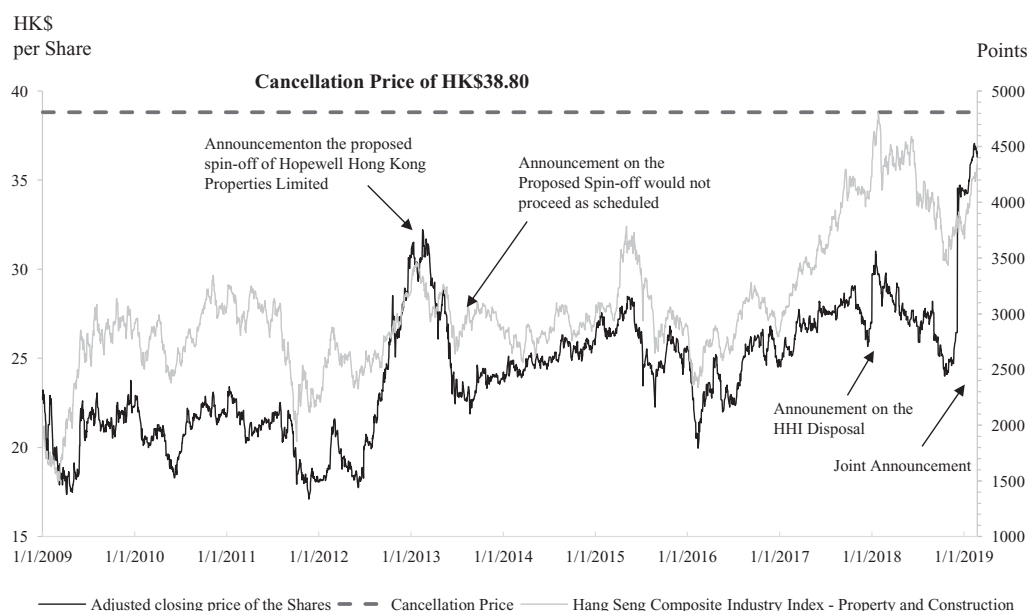
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Evaluation of the Cancellation Price

(a) Share price performance

Set out below are the charts showing (i) the movements of daily adjusted closing prices of the Shares and the Hang Seng Composite Industry Index – Property and Construction (the “**Industry Index**”) (chart 1); and (ii) the comparison of the performance of the Share prices with the Industry Index (chart 2), from 2 January 2009 up to the Latest Practicable date (the “**Review Period**”), being approximately 10 years:

Chart 1: Adjusted Share prices and the Industry Index



Source: Bloomberg

Note: For comparison with the Cancellation Price, the Share prices in chart 1 are adjusted for abnormal cash dividends based on adjustment methods adopted by Bloomberg.

Chart 2: Comparison of performance of Share prices with the Industry Index



Source: Bloomberg

Note: For comparison with the Industry Index, unadjusted Share prices extracted from Bloomberg are used in chart 2.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in chart 1 above, the Shares were traded below the Cancellation Price at all times during the Review Period. Chart 2 above illustrates the performance of the Shares compared to that of the Industry Index. The performance of the Shares generally lagged behind the Industry Index during the Review Period. The following discussion is based on the adjusted Share prices.

The closing prices of the Shares on 2 January 2009, the beginning of the period reviewed, and the Last Trading Date were HK\$23.23 and HK\$26.45, respectively. During the period from 2 January 2009 to 29 June 2012, the Shares were traded between HK\$17.10 and HK\$23.77 per Share. Subsequent to the announcement of the proposed spin-off (the “**Proposed Spin-off**”) of Hopewell Hong Kong Properties Limited on the Main Board of the Stock Exchange on 8 February 2013, the Shares closed at a high of HK\$32.21 on 15 February 2013. Then the Share price declined and further reached a low of HK\$21.89 on 22 August 2013 after the Company announced that the Proposed Spin-off would not proceed as originally scheduled on 13 June 2013. The closing prices of the Shares fluctuated between HK\$19.96 and HK\$31.01 during the period from 23 August 2013 to the Last Trading Date, generally in line with the trend of the Industry Index. After publication of the announcement on the HHI Disposal on 29 December 2017, the Shares closed at HK\$29.70 on 2 January 2018, representing a 10.0% increment from HK\$26.99 on 29 December 2017.

From 2 January 2009 to the Last Trading Date (the “**Pre-Announcement Period**”), the Industry Index reached the highest of 4,801.58 points on 26 January 2018, from 1,492.46 points on 2 March 2009. The Industry Index was then on a downward trend and dropped to 3,807.64 points on the Last Trading Date, representing a decrease of approximately 20.7% from the peak. During the Pre-Announcement Period, the Industry Index increased by approximately 102.5% while the closing prices of the Shares increased by approximately 13.8%.

During the Pre-Announcement Period, the highest closing price of the Shares was HK\$32.21 on 15 February 2013 (about six years ago), which represented a discount of approximately 17.0% to the Cancellation Price. The lowest closing price of the Shares during the Pre-Announcement Period was HK\$17.10 on 22 November 2011, which represented a discount of approximately 55.9% to the Cancellation Price.

The Share price closed at HK\$26.45 on the Last Trading Date and surged by approximately 30.6% to HK\$34.55 on 6 December 2018, being the first trading day following the Joint Announcement. From 6 December 2018 to the Latest Practicable Date, the Shares were traded between HK\$32.90 and HK\$37.05, representing discounts between 4.5% and 15.2% to the Cancellation Price, with an average of HK\$35.11. The Shares closed at HK\$36.30 as at the Latest Practicable Date.

We are of the view that the aforesaid surge in Share prices was driven by the announcement of the Proposal, in particular, the Cancellation Price of HK\$38.80 per Scheme Share. The Scheme Shareholders should note that the Shares were traded substantially below the Cancellation Price of HK\$38.80 during the Pre-Announcement Period and the prevailing Share prices may not be sustained if the Scheme is not approved or the Proposal otherwise lapses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Cancellation Price of HK\$38.80 per Scheme Share represents:

- a premium of approximately 46.7% over the closing price of HK\$26.45 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 55.5% over the average closing price of approximately HK\$24.95 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- a premium of approximately 54.1% over the average closing price of approximately HK\$25.18 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- a premium of approximately 49.6% over the average closing price of approximately HK\$25.93 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- a premium of approximately 45.1% over the average closing price of approximately HK\$26.74 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- a premium of approximately 41.3% over the average closing price of approximately HK\$27.45 per Share as quoted on the Stock Exchange for the 360 trading days up to and including the Last Trading Date; and
- a premium of approximately 6.9% over the closing price of HK\$36.30 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

(b) Comparable Companies

In assessing the fairness and reasonableness of the Cancellation Price, we have identified an exhaustive list of companies listed on the Stock Exchange which (i) are principally engaged in property investment and development and generated over 50% of their revenue from Hong Kong in their respective latest financial years; and (ii) have market capitalisation ranging from HK\$10 billion to HK\$80 billion on the Last Trading Date. Based on these criteria, we identified seven companies. Among these companies, Wang On Properties Limited is excluded for comparison purpose due to the reasons stated below. We consider that the remaining six companies (the “**Comparable Companies**”) are representative and appropriate for comparison purpose as they are all engaged in the same sector as the Group does and have the majority of the revenue derived from Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates (i) the price-to-earnings multiples (“P/E”); (ii) the price-to-book multiples (“P/B”); and (iii) the premium over/discount to NAV per share, of the Comparable Companies based on their respective NAV per share as derived from their respective latest published financial statements and the closing share prices of the Comparable Companies on the Last Trading Date:

Companies (stock code)	Market capitalisation on the Last Trading Date (HK\$'million)	P/E (times)	P/B (times)	Premium/ (discount) of share price over/(to) NAV per share
Hang Lung Properties Limited (101)	71,243.86	7.94	0.52	(48.2%)
Tsim Sha Tsui Properties Limited (247)	47,165.70	6.24	0.64	(36.3%)
Hysan Development Company Limited (14)	39,138.91	6.63	0.54	(45.5%)
Kerry Properties Limited (683)	39,071.80	3.92	0.40	(59.8%)
Hang Lung Group Limited (10)	29,547.12	4.96	0.35	(65.5%)
Chinese Estates Holdings Limited (127)	16,787.05	21.47	0.56	(43.9%)
Wang On Properties Limited (1243) (Note 1)	15,048.00	10.34	3.34	233.6%
Comparable Companies:				
	High	21.47	0.64	(65.5%)
	Low	3.92	0.35	(36.3%)
	Average	8.53	0.50	(49.9%)
	Median	6.44	0.53	(46.9%)
The Company (54)	22,975.02	9.82 (Note 2)	0.64 (Note 3)	(35.6%)

Source: Bloomberg

Notes:

- The shares of Wang On Properties Limited were traded at an exceptionally high P/B (i.e. 3.34 times) and the share price of which represented a substantial premium over its NAV per share (i.e. 233.6%). Among the seven companies identified, only Wang On Properties Limited was traded at a premium over its NAV per share on the Last Trading Date. Accordingly, we consider it is an outlier and is excluded in the analysis.
- Based on the Cancellation Price of HK\$38.80 per Scheme Share and the earnings per Share from continuing operations of HK\$3.95 per Share for the year ended 30 June 2018 as extracted from the 2018 Annual Report.
- Based on the Cancellation Price of HK\$38.80 per Scheme Share and the unaudited NAV of the Group per Share of HK\$60.2 as at 30 September 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The P/E as implied by the Cancellation Price was 9.82 times which was higher than the average and median of those of the Comparable Companies on the Last Trading Date.

The P/B as implied by the Cancellation Price was 0.64 times which was the same as the highest P/B of the Comparable Companies on the Last Trading Date. The Cancellation Price represents a discount of approximately 35.6% to the unaudited NAV of the Group per Share as at 30 September 2018, which is lower than the average and median of 49.9% and 46.9% discounts of the Comparable Companies, respectively. The adjusted NAV of the Comparable Companies that are supported by independent valuation are not available from public source. As such, no comparison of P/B based on the Adjusted NAV of the Group and those of the Comparable Companies can be performed.

(c) Dividend yield

Based on the first interim dividend of HK\$0.30 per Share for the year ending 31 March 2019 and the second interim dividend of HK\$0.88 per Share in lieu of final dividend for the year ended 30 June 2018, the dividend yields as implied by the closing Share price on the Last Trading Date of HK\$26.45 per Share and the Cancellation Price of HK\$38.80 per Scheme Share were approximately 4.5% and 3.0%, respectively. We have compared the above dividend yields to those of the Comparable Companies and the Hang Seng REIT Index (“**HSREIT**”), a benchmark that tracks the performance of real estate investment trusts (“**REITs**”) listed in Hong Kong, on the Last Trading Date, as illustrated below:

Companies (stock code)	Dividend yield
Hang Lung Properties Limited (101)	4.7%
Tsim Sha Tsui Properties Limited (247)	2.0%
Hysan Development Company Limited (14)	3.7%
Kerry Properties Limited (683)	4.8%
Hang Lung Group Limited (10)	3.7%
Chinese Estates Holdings Limited (127)	1.3%
	High 4.8%
	Low 1.3%
	Average 3.4%
	Median 3.7%
 HSREIT	 5.8%
 The Company (54)	
– based on closing price on the Last Trading Date	4.5%
– based on the Cancellation Price	3.0%

Source: Bloomberg and website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: The above dividend yields are calculated based on the total dividends per share in the preceding twelve months (excluding any special dividend) and the closing share prices of the Comparable Companies on the Last Trading Date.

As shown above, the dividend yields of the Comparable Companies ranged from approximately 1.3% to approximately 4.8%, with an average and median of approximately 3.4% and 3.7%, respectively, and the dividend yield of HSREIT was approximately 5.8%. The dividend yields of the Company as implied by the closing Share price on the Last Trading Date and the Cancellation Price were approximately 4.5% and 3.0%, respectively, which were within the range of the Comparable Companies but lower than that of HSREIT.

If the Scheme becomes effective and the Proposal is implemented, the Scheme Shareholders who place a high priority on dividend income would have the opportunity to re-invest the proceeds in similar companies that have higher historical dividend yields or REITs listed in Hong Kong which generally have higher dividend yields.

(d) Comparison of Share prices with NAV of the Group per Share

We have compared the closing Share prices, for a period of approximately three years prior to the Last Trading Date, against the then latest NAV of the Group per Share, as stated in the relevant annual or interim results announcements of the Company, as follows:

Period (Note 1)	NAV of the Group per Share (Note 2)	Closing Share price (Note 3)		Discount to NAV of the Group per Share	
		Low	High	Highest	Lowest
25/02/2016 – 23/08/2016	52.8	23.80	28.00	(54.9%)	(47.0%)
24/08/2016 – 24/01/2017	53.5	26.60	29.10	(50.3%)	(45.6%)
25/01/2017 – 16/08/2017	53.4	27.25	30.60	(49.0%)	(42.7%)
17/08/2017 – 13/02/2018	54.3	27.45	33.15	(49.4%)	(39.0%)
14/02/2018 – 22/08/2018	55.9	25.90	31.85	(53.7%)	(43.0%)
23/08/2018 – 31/10/2018	60.6	24.00	28.20	(60.4%)	(53.5%)
01/11/2018 – Last Trading Date	60.2	24.55	26.45	(59.2%)	(56.1%)
			Range	(60.4%)	(39.0%)

**Discount of the Cancellation Price to the NAV per Share
as at 30 September 2018** **(35.6%)**

Source: Bloomberg and the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. *Each period commenced from the time after the Company released its annual or interim results announcement.*
2. *Extracted from the Company's annual or interim results announcements.*
3. *Unadjusted closing Share prices are extracted from Bloomberg.*

As shown in the table above, the Shares were traded at discounts to the underlying NAV of the Group per Share at all times from 25 February 2016 to the Last Trading Date, being a period of approximately three years, with discounts ranging from approximately 39.0% to approximately 60.4%, indicating that the Shareholders could not realise their investments in the Shares at the entire underlying NAV of the Group per Share on the market. The approximately 35.6% discount of the Cancellation Price to the unaudited NAV of the Group per Share of approximately HK\$60.2 as at 30 September 2018 is lower than the historical discounts of the market prices to the NAV of the Group per Share as set out above and as shown in the case of the Comparable Companies set out in the section headed “7. *Evaluation of the Cancellation Price – (b) Comparable Companies*” above. The adjusted NAV of the Group for the indicated periods prior to the Last Trading Date are not available as no full valuation of all properties was carried out.

(e) *Privatisation Precedents*

We have, on an exhaustive basis, reviewed a list of privatisation precedents involving property companies listed on the Stock Exchange announced since 1 January 2009, approximately ten years prior to the date of the Joint Announcement, and up to the Latest Practicable Date (the “**Privatisation Precedents**”) which were either (i) successful; or (ii) failed solely under the Headcount Test (as defined below) but met both of the 75% Approval Test and the 10% Objection Test, which are the tests applicable to the Proposal, as identified from the website of the Stock Exchange. Some of the Privatisation Precedents failed solely because the requirement for the approval by the majority in the number of members present and voting at the scheme meeting (the “**Headcount Test**”) could not be met. The Headcount Test is not applicable to the Proposal. As such, we consider that all of the Privatisation Precedents are appropriate for comparison purpose.

The table below illustrates the premiums/discounts of the offer/cancellation prices offered by the Privatisation Precedents over/to the prevailing share prices prior to the issue of the relevant privatisation announcements as well as the adjusted NAV per share of the Privatisation Precedents:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company (stock code)	Principal activities	Offer/cancellation price (HK\$)	Premium of offer/cancellation price over the last trading day prior to announcement of privatisation	Premium of offer/cancellation price over 30-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 90-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 180-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over/(to) adjusted NAV per share	Results
20 March 2017	Goldin Properties Holdings Limited (283) (“ Goldin Properties ”)	Property development, property investment and operation of hotel and polo club	9.0	36.8%	33.9%	36.6%	49.5%	28.6%	Successful
30 March 2016	Dalian Wanda Commercial Properties Co Ltd (3699) (“ Dalian Wanda ”)	Property leasing and management, development and sales of properties	52.8	36.1%	50.2%	32.7%	16.0%	(10.8%)	Successful
6 January 2016	New World China Land Limited (917) (“ NWCL ”)	Property arm of New World Development Company Limited in the PRC and is one of the large-scale national developers in the PRC	7.8	25.6%	40.8%	53.8%	56.9%	(29.4%)	Successful
13 March 2014	NWCL	Property arm of New World Development Company Limited in the PRC and is one of the large-scale national developers in the PRC	6.8	32.3%	53.7%	64.1%	78.0%	(32.5%)	Not approved under the Headcount Test but 99.84% votes in favour in terms of number of shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Company (stock code)	Principal activities	Offer/cancellation price (HK\$)	Premium of offer/cancellation price over the last trading day prior to announcement of privatisation	Premium of offer/cancellation price over 30-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 90-day average share price prior to announcement of privatisation	Premium of offer/cancellation price over 180-day average share price prior to announcement of privatisation	Premium of (discount) of offer/cancellation price over/(to) adjusted NAV per share	Results
21 November 2013	Glorious Property Holdings Ltd (845) (“Glorious Properties”)	Development and sale of high-quality properties in key economic cities in the PRC	1.8	45.2%	56.5%	53.8%	44.0%	(40.1%)	Not approved under the Headcount Test but 96.92% votes in favour in terms of number of shares
20 January 2011	Shanghai Forte Land Co Ltd (2337) (“Shanghai Forte”)	Development and sale of high quality commercial and residential properties in the PRC	3.5	25.4%	34.3%	43.0%	52.4%	(26.2%)	Successful
27 April 2010	Wheelock Properties Limited (49) (“Wheelock”)	Properties development and letting	13.0	143.9%	162.1%	162.1%	155.4%	(12.1%)	Successful
		Privatisation Precedents		High Low Average Median	162.1% 33.9% 61.6% 50.2%	162.1% 32.7% 63.7% 53.8%	155.4% 16.0% 64.6% 52.4%	28.6% (40.1%) (17.5%) (26.2%)	
		The Proposal		46.7%	55.5%	49.6%	45.1%	(43.0%)	

Source: Scheme documents, circulars and Bloomberg

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The premiums as represented by the offer/cancellation prices over the closing prices or average closing prices of the Privatisation Precedents for (i) the last trading days prior to the issue of the initial announcement of the privatisation proposals ranged from approximately 25.4% to 143.9% with an average of approximately 49.3%; (ii) 30 trading days prior to initial announcement of the privatisation proposals ranged from approximately 33.9% to 162.1% with an average of approximately 61.6%; (iii) 90 trading days prior to initial announcement of the privatisation proposals ranged from approximately 32.7% to 162.1% with an average of approximately 63.7%; and (iv) 180 trading days prior to initial announcement of the privatisation proposals ranged from approximately 16.0% to 155.4% with an average of approximately 64.6%.

The premiums as represented by the Cancellation Price were approximately 46.7%, 55.5%, 49.6% and 45.1% over the closing price on the Last Trading Date, and the average closing prices for the periods of 30, 90 and 180 trading days up to and including the Last Trading Date, respectively, which are within the ranges of those of the Privatisation Precedents. We consider that both privatisation proposals of NWCL are separate, which, together with Glorious Properties, are relevant to our analysis given they all met the 75% Approval Test and the 10% Objection Test which are the tests applicable to the Proposal.

As shown in the table above, other than Goldin Properties, the offer/cancellation prices offered by the Privatisation Precedents ranged from a discount of approximately 10.8% to approximately 40.1% to the adjusted NAV per share of the respective companies. The Cancellation Price of HK\$38.80 per Scheme Share represents a discount of approximately 43.0% to the Adjusted NAV of the Group of HK\$68.05 per Share, which is above the highest discount of approximately 40.1% among the Privatisation Precedents. Further analyses in this regard are set out in the sections headed “7. Evaluation of the Cancellation Price – (d) Comparison of Share prices with NAV of the Group per Share” above and “7. Evaluation of the Cancellation Price – (f) Comparison of share prices with NAV per share of the Privatisation Precedents” below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(f) Comparison of share prices with NAV per share of the Privatisation Precedents

We have considered the premiums/discounts of the closing share prices over/to the then latest consolidated NAV per share of the Privatisation Precedents for a period of approximately three years prior to the initial announcement of the respective proposed privatisations (the “**Three Years’ Review Period**”), as set out below:

Company	Period (Note 1)	Premium/(discount) of closing share price over/(to) NAV attributable to equity shareholders per share			Distribution of comparison of closing share prices with NAV attributable to equity shareholders per share during the Three Years’ Review Period			
		(Highest discount)	Average premium/(discount)	Highest premium/(lowest discount)	Over 60.4% discount	39.0% discount to 60.4% discount (Note 3) (% of trading days)	At par to below 39.0% discount	At premium
Goldin Properties	26/11/2013 – 20/03/2017	(38.8%)	30.0%	489.1%	–	–	42.2%	57.8%
Dalian Wanda	23/12/2014 (Note 4) – 30/03/2016	(26.6%)	19.4%	80.9%	–	–	18.4%	81.6%
NWCL	17/06/2014 (Note 5) – 05/01/2016	(43.5%)	(28.8%)	(10.9%)	–	1.3%	98.7%	–
NWCL	28/02/2011 – 13/03/2014	(78.6%)	(50.4%)	(23.1%)	22.8%	52.1%	25.1%	–
Glorious Property	30/08/2010 – 21/11/2013	(62.8%)	(27.8%)	91.9%	10.7%	52.7%	10.7%	25.9%
Shanghai Forte	28/08/2007 – 20/01/2011	(61.0%)	12.4%	282.9%	0.5%	16.3%	48.3%	34.9%
Wheelock	13/12/2006 – 27/04/2010	(83.3%)	(42.1%)	4.8%	21.2%	39.2%	35.3%	4.3%
The Company	25/02/2016 – the Last Trading Date	(60.4%)	(48.6%)	(39.0%)	–	100.0%	–	–

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Represented a period of approximately three years prior to the date of initial announcement of the respective privatisations unless otherwise specified in notes below.
2. Calculated based on the unadjusted closing share prices extracted from Bloomberg.
3. The range of discounts to the NAV of the Group per Share during the Three Years’ Review Period.
4. Listing date of the shares.
5. First trading day of the shares after the announcement of the lapse of the previous privatisation proposal of NWCL (the “**NWCL First Proposal**”) on 16 June 2014. The NWCL First Proposal was announced on 14 March 2014. The share prices of NWCL during the period from 14 March 2014 to 16 June 2014 were affected by the NWCL First Proposal. The second privatisation proposal of NWCL (the “**NWCL Second Proposal**”) was announced on 6 January 2016 after the lapse of the NWCL First Proposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the section headed “7. *Evaluation of the Cancellation Price – (e) Privatisation Precedents*” above, the discount of the Cancellation Price to the Adjusted NAV of the Group per Share of approximately 43.0% is the closest to that of Glorious Property of approximately 40.1%. It should be noted that the Shares were traded at discounts to the underlying NAV of the Group per Share at all times from 25 February 2016 to the Last Trading Date, being a period of approximately three years, with discounts ranging from approximately 39.0% to approximately 60.4%. While shares of Glorious Property were sometimes traded at higher discounts to the underlying NAV per share (i.e. approximately 10.7% of the trading days in the Three Years’ Review Period) than the Shares, they were traded at lower discounts to, or at premiums over, the underlying NAV per share than the Shares for a longer time (i.e. approximately 36.6% of the trading days during the Three Years’ Review Period).

Of the seven Privatisation Precedents, the shares of five companies were sometimes traded at premiums over the NAV per share during the Three Years’ Review Period. Among these five companies, the shares of Goldin Properties and Dalian Wanda were not traded more than 39.0% discounts to the underlying NAV per share during the periods indicated and most of the time were traded at premiums. It is noted that the offer price of Goldin Properties represented approximately 28.6% premium over its adjusted NAV per share whereas the offer price of Dalian Wanda represented the lowest discount of approximately 10.8% discount to the adjusted NAV per share among the Privatisation Precedents. For the remaining three companies, the percentages of the trading days in the Three Years’ Review Period during which the shares were traded at discounts of below 39.0% to, or at premiums over, the underlying NAV per share were higher than those during which the shares were traded at over 60.4% discount.

As shown in the table above, prior to the initial announcement of the respective privatisations, only the shares of the Company and NWCL (for both NWCL First Proposal and NWCL Second Proposal) were at all times traded at discounts to their respective NAV per share during the periods indicated. Although shares of NWCL were sometimes traded at higher discounts to the underlying NAV per share than the Shares, they were traded at lower discounts to the underlying NAV per share than the Shares for a longer time.

As illustrated in the above analysis, the comparison of the discount of the Cancellation Price to the Adjusted NAV of the Group per Share to those of the Privatisation Precedents shall not be the only factor to determine the fairness and reasonableness of the Cancellation Price in terms of value of asset backing. The historical premiums and/or discounts of share prices over/to the NAV per share shall also be taken into consideration in the assessment. The Shares were traded at discounts to the NAV of the Group per Share at all times during the Three Years’ Review Period of the Company (from 25 February 2016 to the Last Trading Date) whereas the shares of the companies under the Privatisation Precedents were sometimes traded at lower discounts to, or at premiums over, the respective underlying NAV per share during the Three Years’ Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It should be noted that Share price is the market consensus of the valuation of the Company. Scheme Shareholders can only realise their investments in the Shares through disposals of the Shares but not by way of disposal of any portion of the underlying net assets of the Group.

(g) Overall comments

Taking into consideration of the following:

- (i) the adjusted closing prices of the Shares were below the Cancellation Price at all times during the review period of around 10 years;
- (ii) the Cancellation Price represents a discount of approximately 35.6% to the unaudited NAV of the Group per Share as at 30 September 2018, which is lower than the average discount of 49.9% of the Comparable Companies;
- (iii) the P/E as implied by the Cancellation Price was 9.82 times which was higher than the average and median of those of the Comparable Companies on the Last Trading Date;
- (iv) the premiums as represented by the Cancellation Price were approximately 46.7%, 55.5%, 49.6% and 45.1% over the closing price on the Last Trading Date, and the average closing prices for the periods of 30, 90 and 180 trading days up to and including the Last Trading Date, respectively, which are within the ranges of those of the Privatisation Precedents; and
- (v) the Cancellation Price of HK\$38.80 per Scheme Share represents a discount of approximately 43.0% to the Adjusted NAV of the Group of HK\$68.05 per Share, which is above the highest discount of approximately 40.1% among the Privatisation Precedents. Nevertheless, as illustrated above, the comparison of the discount of the Cancellation Price to the Adjusted NAV of the Group per Share to those of the Privatisation Precedents shall not be the only factor to determine the fairness and reasonableness of the Cancellation Price in terms of value of asset backing. It should be noted that the Shares were traded at discounts to the NAV of the Group per Share at all times during the review period of about three years, with discounts ranging from approximately 39.0% to approximately 60.4%,

we consider that the Cancellation Price to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

In arriving at our recommendation in respect of the Proposal, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- *the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Shares at substantial premiums over the then Share prices prior to the issue of the Joint Announcement without suffering illiquidity discount*

The premiums as represented by the Cancellation Price were approximately 46.7%, 55.5%, 49.6% and 45.1% over the closing price on the Last Trading Date, and the average closing prices for the periods of 30, 90 and 180 trading days up to and including the Last Trading Date, respectively.

The closing price of the Shares on the Last Trading Date was HK\$26.45 and surged by approximately 30.6% to HK\$34.55 on 6 December 2018, being the first trading day following the issue of the Joint Announcement. Such increase in Share price was driven by the announcement of the Proposal, in particular, the Cancellation Price of HK\$38.80 per Scheme Share. From 6 December 2018 to the Latest Practicable Date, the average closing price of the Shares was approximately HK\$35.11 per Share. The Share price closed at HK\$36.30 on the Latest Practicable Date.

The prevailing Share prices may not be sustained if the Scheme is not approved or the Proposal otherwise lapses.

The average daily trading volume per month between 1 January 2017 and the Latest Practicable Date ranged from 225,266 Shares to 3,934,251 Shares, representing approximately 0.04% to 0.70% of the Shares held by the public. Given the thin liquidity of the Shares, it may be difficult for the Scheme Shareholders to dispose of a significant number of Shares without exerting downward pressure on the Share prices;

- *the Proposal represents an opportunity for the Scheme Shareholders to realise their investments in the Shares without facing the uncertainties of future Share price movements that would be affected, to a certain extent, by the future operating performance and/or value of the properties currently under/for development*

Among the properties currently under/for development, Hopewell Centre II is the largest project in terms of size of investment. Given that the total investment of Hopewell Centre II is estimated to be about HK\$10 billion, Hopewell Centre II will be one of the major investment properties and hotel properties of the Group following its completion. Hopewell Centre II is still in a preliminary stage of development. For the three years ending 31 March 2021 and beyond, it is expected that an additional capital expenditure of approximately HK\$5 billion will be incurred. The construction work is expected to be completed in end of 2021

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the renovation work will be carried out thereafter. There are risks associated with this mega size development project, in particular, completion of the construction work in accordance with its schedule and budget.

The operating results of Hopewell Centre II would affect the core profit of the Group in the future. Hopewell Centre II will only generate revenue for the Group after 2021. As such, there are uncertainties in the financial performance of the Group in the medium to longer term relating to the performance of Hopewell Centre II, which in turn may affect the Share prices and the amount of dividend payments in the future. Furthermore, it is difficult to estimate the extent of impact of the value of Hopewell Centre II on future Share prices, given that the Shares have been traded at discounts to the NAV of the Group per Share for a prolonged period;

- *the operating performance of the Group's property investment and property development businesses in the near term*

The property investment and property development businesses are major profit contributors of the Group.

Though KITEC E-Max with an average occupancy rate of 80% for the six months ended 30 September 2018 may represent a growth potential for the Group, the revenue growth of the property investment business may be limited due to the average occupancy rates of other investment properties were all above 90% for the six months ended 30 September 2018 and the lack of new investment properties prior to the opening of 153-167 Queen's Road East and Hopewell Centre II.

The US-China trade war and the potential US interest rate rises may affect the local economic growth in the short term. If the economy grows at a slower rate, this may affect the businesses of the tenants of the Group's office and retail properties which may impact the operating performance of the Group's investment properties.

Other than Hopewell New Town in the PRC, the Group does not have any residential property development project that is available for sale. Therefore, the financial results of the Group's property development business will be solely affected by recognition of properties sales of Hopewell New Town before completion of new property development projects in the future.

Based on the 2018 Annual Report and the 2019 Interim Report, it is noted that the Group's recognition of sales of properties significantly affected the core profit attributable to the Shareholders and that the sales of properties of Hopewell New Town were affected by the tightening policies on the property sector in the PRC. The fluctuation of recognition of sales of properties of Hopewell New Town would affect the financial results of the Group in the near term;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- *the Proposal provides an opportunity for the Scheme Shareholders to re-invest in shares of other property companies or REITs*

The Industry Index generally outperformed the Share prices during the review period of about 10 years. The Scheme Shareholders who place a high priority on capital gain would have the opportunity to re-invest the proceeds from the Proposal in similar companies that have a better share price performance and higher trading liquidity.

The Scheme Shareholders who place a high priority on dividend income would have the opportunity to re-invest the proceeds from the Proposal in similar companies that have higher historical dividend yields or REITs listed in Hong Kong which generally have higher dividend yields; and

- *the Cancellation Price is fair and reasonable*

For evaluation of the Cancellation Price, we have taken into consideration of the following:

- (i) the adjusted closing prices of the Shares were below the Cancellation Price at all times during the review period of about 10 years;
- (ii) the Cancellation Price represents a discount of approximately 35.6% to the unaudited NAV of the Group per Share as at 30 September 2018, which is lower than the average discount of approximately 49.9% of the Comparable Companies;
- (iii) the P/E as implied by the Cancellation Price was 9.82 times which was higher than the average and median of those of the Comparable Companies on the Last Trading Date;
- (iv) the premiums as represented by the Cancellation Price were approximately 46.7%, 55.5%, 49.6% and 45.1% over the closing price on the Last Trading Date, and the average closing prices for the periods of 30, 90 and 180 trading days up to and including the Last Trading Date, respectively, which are within the ranges of those of the Privatisation Precedents; and
- (v) the Cancellation Price of HK\$38.80 per Scheme Share represents a discount of approximately 43.0% to the Adjusted NAV of the Group of HK\$68.05 per Share, which is above the highest discount of approximately 40.1% among the Privatisation Precedents. Nevertheless, the comparison of the discount of the Cancellation Price to the Adjusted NAV of the Group per Share to those of the Privatisation Precedents shall not be the only factor to determine the fairness and reasonableness of the Cancellation Price in terms of value of its asset backing. The historical premiums and/or discounts of share prices over/ to the NAV per share of the Privatisation Precedents and the Company shall also be considered in the assessment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Share price is the market consensus of the valuation of the Company. The Scheme Shareholders can only realise their investments in the Shares through disposals of the Shares but not by way of disposal of any portion of the underlying net assets of the Group. It should be noted that the Shares were traded at discounts to the NAV of the Group per Share at all times during the review period of about three years prior to the Last Trading Date, with discounts ranging from approximately 39.0% to approximately 60.4%. In other words, the Scheme Shareholders could not realise their investments in the Shares at the entire underlying NAV of the Group per Share on the market.

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

The Scheme Shareholders are reminded that as stated in the “*Letter from the Board*” in this Scheme Document, the Cancellation Price will not be increased and the Offeror does not reserve the right to do so, and if the Scheme is not approved or the Proposal otherwise lapses, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has indicated that it has no intention to seek such consent.

Yours faithfully,
For and on behalf of
China Tonghai Capital Limited

Noelle Hung **Larry Choi**
Managing Director *Director*

Ms. Noelle Hung is a licensed person and a responsible officer of China Tonghai Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has about 20 years of experience in corporate finance.

Mr. Larry Choi is a licensed person and a responsible officer of China Tonghai Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has about eight years of experience in corporate finance.

EXPLANATORY STATEMENT

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

1. INTRODUCTION

On 5 December 2018, the respective directors of the Offeror and the Company jointly announced that on 2 December 2018, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the Scheme Shareholders of the Cancellation Price of HK\$38.80 in cash for each Scheme Share.

The Offeror confirmed in the Joint Announcement that there would be no increase in the Cancellation Price and that the Offeror did not reserve a right to do so.

As at the Latest Practicable Date, the Offeror and the Consortium Offeror Concert Parties beneficially owned, controlled or had direction over 320,774,690 Shares, representing approximately 36.93% of the total issued Shares.

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

2. THE PROPOSAL

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

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled on the Effective Date in exchange for the payment to each Scheme Shareholder of the Cancellation Price in cash for each Scheme Share;
- (b) the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of such number of new Shares as the number of Scheme Shares cancelled and extinguished. The credit arising in the books of account of the Company as a result of the capital reduction will be applied in paying up the new Shares so allotted and issued, credited as fully paid, to the Offeror; and

EXPLANATORY STATEMENT

- (c) the withdrawal of the listing of the Shares on the Stock Exchange is expected to take place with effect from 9:00 a.m. on Friday, 3 May 2019.

The Proposal, which involves a reduction of the share capital of the Company by the cancellation of the Scheme Shares and the issue of new Shares (the number of which is equal to the number of Scheme Shares cancelled and extinguished) to the Offeror, is structured in a way so that upon the Scheme becoming effective, the Offeror will directly hold 63.07% of the total issued Shares and the Consortium Offeror Concert Parties will directly or indirectly hold 36.93% of the total issued Shares.

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

3. THE SCHEME

The Scheme involves a reduction of the share capital of the Company by the cancellation of the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, such number of new Shares as is equal to the number of Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so allotted and issued, credited as fully paid, to the Offeror. The Scheme provides that, in consideration of the cancellation of the Scheme Shares, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$38.80 in cash from the Offeror for each Scheme Share cancelled.

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

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

Comparison of value

The Cancellation Price of HK\$38.80 per Scheme Share represents:

- (a) a premium of approximately 46.7% over the closing price of HK\$26.45 per Share as quoted on the Stock Exchange on the Last Trading Date;

EXPLANATORY STATEMENT

- (b) a premium of approximately 48.8% over the average closing price of approximately HK\$26.07 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 55.5% over the average closing price of approximately HK\$24.95 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 54.1% over the average closing price of approximately HK\$25.18 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 49.6% over the average closing price of approximately HK\$25.93 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 45.1% over the average closing price of approximately HK\$26.74 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 41.3% over the average closing price of approximately HK\$27.45 per Share as quoted on the Stock Exchange for the 360 trading days up to and including the Last Trading Date;
- (h) a discount of approximately 35.6% to the unaudited NAV of the Group per Share of approximately HK\$60.21 as at 30 September 2018;
- (i) a discount of approximately 43.0% to the Adjusted NAV of the Group per Share of approximately HK\$68.05; and
- (j) a premium of approximately 6.9% over the closing price of HK\$36.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined after taking into account the then recently traded prices of the Shares prior to the publication of the Joint Announcement, the historic traded prices of the Shares and publicly available financial information of the Company, and with reference to other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the six-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$28.20 on 29 August 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$24.00 on 16 October 2018.

EXPLANATORY STATEMENT

During the twelve-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$31.01 on 16 January 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$24.00 on 16 October 2018.

4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$38.80 per Scheme Share and 547,845,931 Scheme Shares in issue as at the Latest Practicable Date, the amount of cash payable to the Scheme Shareholders under the Proposal would be approximately HK\$21,256.4 million.

The Offeror intends to finance the cash required for the Proposal through new credit facilities made available to the Offeror by Citibank, N.A., Hong Kong Branch and other lenders selected by the mandated lead arranger and bookrunner in consultation with the Offeror for the Certain Funds Period.

Citigroup, the exclusive financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal.

5. CONDITIONS OF THE PROPOSAL

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

- (a) the Scheme being approved by the Disinterested Shareholders representing at least 75% of the voting rights of the Disinterested Shareholders present and voting, in person or by proxy, at the Court Meeting, with votes cast against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all disinterested Shares (as respectively defined in Note 6 to Rule 2 of the Takeovers Code and section 674(3) of the Companies Ordinance);
- (b) the passing of a special resolution by the Shareholders at the EGM (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished;
- (c) the sanction of the Scheme (with or without modification) under section 673 of the Companies Ordinance and the confirmation of the reduction of the share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under the Companies Ordinance;

EXPLANATORY STATEMENT

- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the share capital of the Company and the Scheme, respectively;
- (e) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (f) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms);
- (g) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms; and
- (h) since the date of the Joint Announcement:
 - (i) there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group which is material in the context of the Group taken as a whole or in the context of the Proposal; and
 - (ii) there not having been instituted, threatened in writing or remaining outstanding any litigation, arbitration, other proceedings or other dispute resolution process to which any such member is a party (whether as plaintiff, defendant or otherwise) and no investigation by any government, quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, instituted or remaining outstanding, in each case, which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (d) above) in whole or in part. The Company does not have the right to waive any of the Conditions.

EXPLANATORY STATEMENT

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal will lapse. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal.

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

The Scheme is subject to the requirement under section 674(2) of the Companies Ordinance that members representing at least 75% of the voting rights of the members present and voting (in person or by proxy) at the Court Meeting agree to the Scheme, and the requirement under Rule 2.10 of the Takeovers Code that the Scheme must be approved by at least 75% of the votes attaching to the disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) that are cast (in person or by proxy) at the meeting of the holders of the disinterested Shares. Accordingly:

- (a) for the purpose of the Companies Ordinance, the 75% approval threshold will be determined by reference to the voting rights of the Scheme Shareholders, who attend and vote (in person or by proxy) at the Court Meeting. As (i) the Offeror and the Consortium Offeror Concert Parties are not Scheme Shareholders at the Court Meeting, and (ii) the other Offeror Concert Parties, (namely Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG), are required to abstain from voting at the Court Meeting, the voting rights in respect of the relevant Shares held by the Offeror and all the Offeror Concert Parties will not be taken into account in determining whether the 75% approval requirement under the Companies Ordinance has been satisfied; and
- (b) for the purpose of the Takeovers Code, the 75% approval threshold will be determined by reference to the votes attaching to all the Scheme Shares held by the Disinterested Shareholders which are cast (in person or by proxy) at the Court Meeting.

Therefore, in order to satisfy the requirements under both the Companies Ordinance and the Takeovers Code, the 75% approval threshold will be determined by reference to the Shares held by the Shareholders (other than Shares held or beneficially owned by the Offeror and the Offeror Concert Parties) who attend and vote at the Court Meeting.

EXPLANATORY STATEMENT

The Scheme is also subject to the requirement under section 674(2) of the Companies Ordinance that the votes cast against the Scheme at the Court Meeting shall not exceed 10% of the voting rights attached to all disinterested Shares (as defined in section 674(3) of the Companies Ordinance), and the requirement under Rule 2.10 of the Takeovers Code that the number of votes cast against the resolution to approve the Scheme at the meeting of the holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code) shall not be more than 10% of the votes attaching to all disinterested Shares. Accordingly:

- (a) for the purpose of the Companies Ordinance, all Scheme Shares (i.e. all the Shares in issue as at the Scheme Record Date, other than any held or beneficially owned by the Offeror and the Consortium Offeror Concert Parties and their respective associates (as defined in Division 2 of Part 13 of the Companies Ordinance)) will be regarded as disinterested Shares; and
- (b) for the purpose of the Takeovers Code, all Scheme Shares other than any held or beneficially owned by the Offeror and the Offeror Concert Parties will be regarded as disinterested Shares.

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

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

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

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

Assuming that the Conditions are fulfilled or, as applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Thursday, 2 May 2019, and the listing of Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Friday, 3 May 2019 pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

EXPLANATORY STATEMENT

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

As at the Latest Practicable Date, the share capital of the Company comprised 868,620,621 Shares.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto).

<u>Shareholder</u>	<u>As at the Latest Practicable Date</u>		<u>Immediately upon the Scheme becoming effective</u>	
	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of the total issued Shares</i>
(A) Offeror	–	–	547,845,931	63.07
(B) Consortium Offeror Concert Parties not subject to the Scheme⁽¹⁾				
Sir Gordon WU ⁽²⁾	78,098,782	8.99	78,098,782	8.99
Lady Ivy WU ⁽³⁾	27,073,300	3.12	27,073,300	3.12
Sir Gordon WU and Lady Ivy WU ⁽⁴⁾	139,114,458	16.01	139,114,458	16.01
Ms. June WU ⁽⁵⁾	420,000	0.05	420,000	0.05
Ms. Carol WU	400,000	0.05	400,000	0.05
Clyde & Helen WU Irrevocable Trust ⁽⁶⁾	13,991,000	1.61	13,991,000	1.61
Roger Man-Yuk WU Irrevocable Trust ⁽⁷⁾	15,635,000	1.80	15,635,000	1.80
David Man-Hay WU Irrevocable Trust ⁽⁸⁾	15,635,000	1.80	15,635,000	1.80
Mr. Guy WU	2,645,650	0.30	2,645,650	0.30
Mr. Eddie HO ⁽⁹⁾	27,761,500	3.20	27,761,500	3.20
Sub-total	320,774,690	36.93	320,774,690	36.93
(C) Non-Consortium Offeror Concert Parties subject to the Scheme				
Mr. Thomas WU	29,000,000	3.34	–	–
Mr. KWOK Tse Wah ⁽¹⁰⁾	911,600	0.10	–	–
Mr. Thomas KWOK	175,000	0.02	–	–
Mr. Josiah Chin Lai KWOK	1,275,000	0.15	–	–
Mr. Albert Kam Yin YEUNG	10,000	0.001	–	–
Mr. William Wing Lam WONG	338,000	0.04	–	–
Sub-total	31,709,600	3.65	–	–
(D) Offeror and the Offeror Concert Parties (A) + (B) + (C)	352,484,290	40.58	868,620,621	100.00
(E) Disinterested Shareholders subject to the Scheme⁽¹¹⁾⁽¹²⁾	516,136,331	59.42	–	–
(F) Scheme Shareholders⁽¹¹⁾⁽¹²⁾ (C) + (E)	547,845,931	63.07	–	–
TOTAL (A) + (B) + (C) + (E)	868,620,621	100.00	868,620,621	100.00

EXPLANATORY STATEMENT

- Note (1): Upon the Scheme becoming effective, the Consortium Offeror Concert Parties will directly or indirectly hold Shares in the Company and also indirectly hold Shares in the Company through the Offeror.*
- Note (2): As at the Latest Practicable Date, 34,428,782 Shares are directly held by Sir Gordon WU and 43,670,000 Shares are indirectly held by Sir Gordon WU through his directly or indirectly wholly-owned companies, Cheer Dale Ltd., Garwin Limited, Ixia Investment Ltd., Prime Land Investment Ltd and Principal Land Investment Ltd.*
- Note (3): As at the Latest Practicable Date, 20,193,300 Shares are directly held by Lady Ivy WU and 6,880,000 Shares are indirectly held by Lady Ivy WU through her wholly-owned company, Bongear Investment Limited.*
- Note (4): As at the Latest Practicable Date, 30,680,000 Shares are directly held by Sir Gordon WU and Lady Ivy WU in their joint names and 108,434,458 Shares are indirectly held by Sir Gordon WU and Lady Ivy WU through their directly or indirectly wholly-owned companies, Chi Chung Company, Limited, Eurotel Properties Limited, Fair Blossom Ltd., Rayforce Ltd. and Whitaco Ltd.*
- Note (5): Ms. June WU holds her Shares in the Company through Ocean Perfect Limited, a company owned as to 98% by Ms. June WU and 1% by each of Sir Gordon WU and Lady Ivy WU.*
- Note (6): The Clyde & Helen WU Irrevocable Trust is a trust initially granted by Sir Gordon WU to the late Dr. Clyde WU and the late Mrs. Helen WU as trustees for the benefit of the grandchildren and more remote issue of the late Dr. Clyde WU and the late Mrs. Helen WU and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees.*
- Note (7): The Roger Man-Yuk WU Irrevocable Trust is a trust initially granted by Sir Gordon WU to Mr. Roger WU and the late Dr. Clyde WU as trustees for the benefit of Mr. Roger WU and his issue and is currently administered by Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees.*
- Note (8): The David Man-Hay WU Irrevocable Trust is a trust initially granted by Sir Gordon WU to Mr. David WU and the late Dr. Clyde WU as trustees for the benefit of Mr. David WU and his issue and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees.*
- Note (9): As at the Latest Practicable Date, 27,691,500 Shares are directly held by Mr. Eddie HO and 70,000 Shares are indirectly held by Mr. Eddie HO through his wholly-owned company, Super Winner Investment Limited.*
- Note (10): Reference is made to the Clarification Announcement. It was disclosed in the Joint Announcement that as at the date of the Joint Announcement, Mr. KWOK Tse Wah beneficially owned, controlled or had direction over 1,021,600 Shares, representing approximately 0.12% of the total issued Shares. In the Clarification Announcement, it was clarified that (i) as at the date of the Joint Announcement, Mr. KWOK Tse Wah in fact beneficially owned, controlled or had direction over 951,600 Shares, representing approximately 0.11% of the total issued Shares; and (ii) he disposed of 40,000 Shares on-market on 6 December 2018 at the lowest price of HK\$34.00 per Share and the highest price of HK\$34.20 per Share. As at the Latest Practicable Date, he beneficially owns, controls or has direction over 911,600 Shares (of which 611,600 Shares are directly held by him and 300,000 Shares are held by him through his wholly-owned company, Plenty Bridges Enterprises Limited), representing approximately 0.10% of the total issued Shares.*
- Note (11): As at the Latest Practicable Date, 72,000 Shares are held by the HHL Employees' Share Award Scheme Trust, the trustee of which is BOCI Trustee, and no employee of the Company has been awarded any Shares under the HHL Employees' Share Award Scheme. According to*

EXPLANATORY STATEMENT

the trust deed of the HHL Employees' Share Award Scheme, BOCI Trustee shall not exercise the voting rights attached to the Shares held under the HHL Employees' Share Award Scheme Trust. Accordingly, such 72,000 Shares will not be voted at the Court Meeting and the EGM.

Note (12): As at the Latest Practicable Date, there are 2,585,891 Shares represented by ADSs where every one ADS represents one Share.

As at the Latest Practicable Date, in addition to the interest in Shares held by Sir Gordon WU, Lady Ivy WU, Mr. Guy WU, Mr. Eddie HO, Mr. Thomas WU, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG as noted above, Ms. Linda Lai Chuen LOKE is deemed to be interested in 1,308,981 Shares which are beneficially owned by her spouse.

Shares held by the Consortium Offeror Concert Parties (including Sir Gordon WU, Lady Ivy WU, Mr. Guy WU and Mr. Eddie HO) will not be cancelled under the Scheme and will continue to be held by them upon the Scheme becoming effective. In addition, each of the Consortium Offeror Concert Parties either (a) already hold shares in Topco or (b) will hold new shares in Holdco to be issued prior to the Scheme becoming effective at a par value of US\$1 per share in accordance with the Subscription Letters such that, upon the Scheme becoming effective, they will indirectly hold the shares in the Offeror in proportion to their respective shareholding of the Consortium Offeror Concert Party Shares. As such, upon the Scheme becoming effective, the Consortium Offeror Concert Parties will directly or indirectly hold 36.93% of the total issued Shares and the Offeror will directly hold 63.07% of the total issued Shares.

As at the Latest Practicable Date, apart from the ADSs, the Company has no outstanding options, warrants, derivatives or securities convertible into Shares and no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue other than its total issued Shares of 868,620,621 Shares (of which 2,585,891 Shares are held in the form of ADSs).

For the avoidance of doubt, all Scheme Shares, including the Shares held or beneficially owned by the Non-Consortium Offeror Concert Parties and the Shares held under the HHL Employee's Share Award Scheme Trust, will be cancelled upon the Scheme becoming effective.

As at the Latest Practicable Date, the Scheme Shares comprise a total of 547,845,931 Shares held or beneficially owned by the Scheme Shareholders (which include the Non-Consortium Offeror Concert Parties and the HHL Employee's Share Award Scheme Trust), representing approximately 63.07% of the total issued Shares.

As at the Latest Practicable Date, the Offeror does not legally or beneficially own, control or have direction over any Shares.

As at the Latest Practicable Date, the Consortium Offeror Concert Party Shares comprise 320,774,690 Shares held or beneficially owned by the Consortium Offeror Concert Parties, representing approximately 36.93% of the total issued Shares.

EXPLANATORY STATEMENT

By reason of being the exclusive financial adviser to the Offeror in connection with the Proposal, Citigroup and relevant members of the Citigroup group (except those which have been granted exempt principal trader or exempt fund manager status, for the purposes of the Takeovers Code) are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, members of the Citigroup group (except those which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code), being Non-Consortium Offeror Concert Parties, did not beneficially own, control or have direction over any Shares. In addition, notwithstanding that connected exempt principal traders within the Citigroup group are not presumed to be parties “acting in concert” with the Offeror under the Takeovers Code and accordingly, any Shares owned by any such connected exempt principal traders will be considered as disinterested Shares for the purposes of the Takeovers Code, such Shares (other than Shares underlying ADSs which are held on non-discretionary basis) will not be voted at the Court Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code. Such Shares will form part of the Scheme Shares.

As at the Latest Practicable Date, 72,000 Shares are held by the HHL Employees’ Share Award Scheme Trust, the trustee of which is BOCI Trustee, and no employee of the Company has been awarded any Shares under the HHL Employees’ Share Award Scheme. According to the trust deed of the HHL Employees’ Share Award Scheme, BOCI Trustee shall not exercise the voting rights attached to the Shares held under the HHL Employees’ Share Award Scheme Trust. Accordingly, such 72,000 Shares will not be voted at the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

All Shareholders will be entitled to vote on the special resolution to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company and the implementation of the Scheme (except that BOCI Trustee will not exercise the voting rights attached to the Shares held under the HHL Employees’ Share Award Scheme Trust).

The Consortium Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, the Consortium Offeror Concert Parties will vote in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished.

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

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

EXPLANATORY STATEMENT

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

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the High Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all disinterested Shares (as defined in section 674(3) of the Companies Ordinance) in the company or of the class in the company, as the case may be.

9. BINDING EFFECT OF THE SCHEME

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

If the Scheme becomes effective:

- (a) all the Scheme Shares will be cancelled whereupon the share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (b) the share capital of the Company will then be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the credit rising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares created and such new Shares will be so allotted and issued, credited as fully paid, to the Offeror; and
- (d) the Offeror will pay the Cancellation Price of HK\$38.80 in cash to the Scheme Shareholders for each Scheme Share held by them on the Scheme Record Date.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board

EXPLANATORY STATEMENT

Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

10. REASONS FOR AND BENEFITS OF THE PROPOSAL

In the paragraphs below, the unadjusted closing prices per Share on the Stock Exchange were obtained from Bloomberg. The Company paid a special cash interim dividend of HK\$2.00 per Share on 2 May 2018 to Shareholders registered as at the close of business on 20 April 2018 (the “Special Cash Interim Dividend”). The term “adjusting for the Special Cash Interim Dividend” mentioned below refers to subtracting from the unadjusted closing prices per Share the Special Cash Interim Dividend for historical closing prices prior to 18 April 2018, which may be different to the adjustment methods adopted by the Stock Exchange.

The Proposal represents an attractive opportunity to realise value at an attractive exit premium for the Scheme Shareholders.

The Offeror Board considers that the Proposal provides an attractive opportunity for the Scheme Shareholders to dispose of their Shares for all cash at a price significantly above the prevailing market price without having to suffer from any illiquidity discount and settlement risk.

- (i) During the one-year period ended on and including the Last Trading Date, the lowest and highest unadjusted closing prices per Share on the Stock Exchange were HK\$24.00 and HK\$33.15, respectively, with a simple average closing price of approximately HK\$27.96. The Cancellation Price represents a premium of approximately 38.8% over the simple average unadjusted closing price, and a premium of approximately 17.0% over the highest unadjusted closing price over the above period (and approximately 24.6% after adjusting for the Special Cash Interim Dividend for the closing prices prior to 18 April 2018).
- (ii) During the ten-year period ended on and including the Last Trading Date, the highest unadjusted closing price per Share was HK\$34.95 (on 15 February 2013), and the Cancellation Price represents a premium of approximately 11.0% to that, and a higher premium of approximately 17.8% after adjusting that for the Special Cash Interim Dividend. During the same ten-year period, there were only 63 trading days (8 trading days during January 2018, and 55 trading days between December 2012 and March 2013) where the unadjusted closing prices of Shares were above HK\$32.0 per share, and there were only 9 trading days in 2013 where the closing price of the Shares were above HK\$32.0 after adjusting for the Special Cash Interim Dividend.

EXPLANATORY STATEMENT

- (iii) The liquidity of the Shares has been at a low level over a long period of time. During the one-year period ended on and including the Last Trading Date, liquidity in the Shares was restricted to an average daily trading volume of 729,219 Shares, representing approximately 0.08% of the total issued Shares, and approximately 0.13% of the Scheme Shares as at the date of the Joint Announcement. Given the continued low liquidity of the Shares, it is difficult for the Scheme Shareholders to execute on-market disposals efficiently without adversely affecting the market price of the Shares, and to dispose of a large number of Shares when any event that has an adverse impact on the price of the Shares occurs. The Proposal represents an opportunity for the Scheme Shareholders to exit from their investment in the Company.
- (iv) The Group is investing substantial resources in its properties under development including the Hopewell Centre II development, the 153-167 Queen's Road East development, and the Hill Side Terrace Cluster development. These developments are in early-stage phase, require intensive multi-year capital investments, involve significant development and regulatory approval risks, and will take time before reaching steady rental and operating performances post property completion and opening. Some of these developments will potentially exhibit operating performance fluctuations for a period of time post completion before the property performances stabilise. The share price performance of the Shares could be disadvantaged in a volatile stock market before the long-term benefits of these developments are realised. Even if the Group successfully demonstrates the success of these developments, such performances historically have not been fully recognised as evidenced by the Shares' long-term trading discount to NAV of the Group. The discount between the simple average of the unadjusted closing prices as obtained from Bloomberg for the Group's financial year periods ending 30 June 2016, 2017, 2018 and the respective net asset per Share reported are 51.2%, 48.3% and 50.9%. A significant discount of market value to NAV of the Group is to the disadvantage of the Shareholders. The stock market in Hong Kong has exhibited significant volatility lately amid escalating trade tension between China and the US and other unfavourable global and local macro-economic factors. Since the start of 2018, the Hong Kong Hang Seng Index had fallen by approximately 11% as of the Last Trading Date, and by approximately 4% as of the Latest Practicable Date. The Proposal affords the Scheme Shareholders the opportunity to realise their investments in the Company after completion of the Proposal at an attractive fixed price despite increased market volatility and uncertainty.

11. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

The Offeror intends to focus on the existing business of the Group, which principally comprises investments in power plants, property development and investment, property management, hotel ownership and management, restaurant operations and food catering, upon the Scheme becoming effective.

The Offeror does not intend to introduce any major changes to the business of the Group but may consider redeployment or disposal of certain fixed assets of the Group.

EXPLANATORY STATEMENT

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group. Upon the Scheme becoming effective, the existing Directors will resign and new directors will be appointed to the Board.

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

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

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

13. INFORMATION ON THE OFFEROR GROUP AND THE CONSORTIUM MEMBERS

The Offeror is a company incorporated in Hong Kong with limited liability principally engaged in investment holding. Each of Holdco and Topco are limited companies incorporated in the British Virgin Islands principally engaged in investment holding. The Offeror, Holdco and Topco are special purpose vehicles set up for the implementation of the Proposal. As at the Latest Practicable Date, the Offeror is wholly owned by Holdco, which is wholly owned by Topco, which in turn is 50% owned by each of Sir Gordon WU and Lady Ivy WU. As at the Latest Practicable Date, the Offeror did not legally and beneficially own, control or have direction over any Shares.

Prior to the Scheme becoming effective, new shares in Holdco will be issued in accordance with the Subscription Letters. Therefore, upon the Scheme becoming effective, Holdco will be 76.15% owned by Topco and 23.85% owned by Ms. June WU, Ms. Carol WU, Mr. David WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the Clyde & Helen WU Irrevocable Trust, Mr. Roger WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the Roger Man-Yuk WU Irrevocable Trust, Mr. David WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the David Man-Hay WU Irrevocable Trust, Mr. Guy WU and Mr. Eddie HO.

EXPLANATORY STATEMENT

The table below sets out the shareholding structure of Holdco upon the Scheme becoming effective:

<u>Shareholder of Holdco</u>	<u>Approximate % of the total issued shares of Holdco</u>
Topco	76.15
Ms. June WU	0.13
Ms. Carol WU	0.12
Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the Clyde & Helen WU Irrevocable Trust	4.36
Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees of the Roger Man-Yuk WU Irrevocable Trust	4.88
Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the David Man-Hay WU Irrevocable Trust	4.88
Mr. Guy WU	0.83
Mr. Eddie HO	8.65
Total	<u><u>100.00</u></u>

As at the Latest Practicable Date, the directors of each of the Offeror, the Holdco and the Topco are Sir Gordon WU and Lady Ivy WU.

The Consortium Offeror Concert Parties

As at the Latest Practicable Date, Sir Gordon WU is the chairman of the Board and an executive Director and is interested in 244,286,540 Shares (including deemed interests under the SFO), representing approximately 28.12% of the total issued Shares. He has served as chairman of the Board since November 1996. He is also a director of various subsidiaries of the Company. He is the husband of Lady Ivy WU, the brother of the late Dr. Clyde WU, the father of Ms. June WU, Ms. Carol WU and Mr. Thomas WU and the uncle of Mr. Roger WU, Mr. David WU and Mr. Guy WU.

As at the Latest Practicable Date, Lady Ivy WU is a non-executive Director and is interested in 244,286,540 Shares (including deemed interests under the SFO), representing approximately 28.12% of the total issued Shares. She joined the Board in August 1991. She is the wife of Sir Gordon WU, the sister-in-law of the late Dr. Clyde WU, the mother of Ms. June WU, Ms. Carol WU and Mr. Thomas WU and the aunt of Mr. Roger WU, Mr. David WU and Mr. Guy WU.

Ms. June WU and Ms. Carol WU are the daughters of Sir Gordon WU and Lady Ivy WU, the sisters of Mr. Thomas WU, the nieces of the late Dr. Clyde WU and the cousins of Mr. Roger WU, Mr. David WU and Mr. Guy WU. As at the Latest

EXPLANATORY STATEMENT

Practicable Date, Ms. June WU (through Ocean Perfect Limited) and Ms. Carol WU hold 420,000 and 400,000 Shares, representing approximately 0.05% and 0.05% of the total issued Shares, respectively.

The late Dr. Clyde WU was the brother of Sir Gordon WU and the husband of the late Mrs. Helen WU. The Clyde & Helen WU Irrevocable Trust was initially granted by Sir Gordon WU to the late Dr. Clyde WU and the late Mrs. Helen WU as trustees for the benefit of the grandchildren and more remote issue of the late Dr. Clyde WU and the late Mrs. Helen WU and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees. As at the Latest Practicable Date, Mr. David WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the Clyde & Helen WU Irrevocable Trust hold 13,991,000 Shares, representing approximately 1.61% of the total issued Shares.

Mr. Roger WU, Mr. David WU and Mr. Guy WU are the nephews of Sir Gordon WU and Lady Ivy WU and the cousins of Ms. June WU, Ms. Carol WU and Mr. Thomas WU. The Roger Man-Yuk WU Irrevocable Trust was initially granted by Sir Gordon WU to Mr. Roger WU and the late Dr. Clyde WU as trustees for the benefit of Mr. Roger WU and his issue and is currently administered by Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees. The David Man-Hay WU Irrevocable Trust was initially granted by Sir Gordon WU to Mr. David WU and the late Dr. Clyde WU as trustees for the benefit of Mr. David WU and his issue and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees.

As at the Latest Practicable Date, Mr. Roger WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the Roger Man-Yuk WU Irrevocable Trust and Mr. David WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the David Man-Hay WU Irrevocable Trust hold 15,635,000 and 15,635,000 Shares, representing approximately 1.80% and 1.80% of the total issued Shares, respectively, while Mr. Guy WU holds 2,645,650 Shares, representing 0.30% of the total issued Shares. As at the Latest Practicable Date, Mr. Guy WU is a non-executive Director.

Mr. Thomas MACFARLANE, the co-trustee of each of the Clyde & Helen WU Irrevocable Trust, the Roger Man-Yuk WU Irrevocable Trust and the David Man-Hay WU Irrevocable Trust, is not related to Sir Gordon WU and his family. As at the Latest Practicable Date, Mr. Thomas MACFARLANE does not hold any Shares.

As at the Latest Practicable Date, Mr. Eddie HO is the vice chairman of the Board and an executive Director and is interested in 27,761,500 Shares (including deemed interests under the SFO), representing approximately 3.20% of the total issued Shares. He has served as vice chairman of the Board since August 2003. He is also a director of various subsidiaries of the Company.

EXPLANATORY STATEMENT

14. INFORMATION ON THE COMPANY

The Company is an investment holding company incorporated in Hong Kong with limited liability. The present principal activities of the Group are investments in power plants, property development and investment, property management, hotel ownership and management, restaurant operations and food catering.

Your attention is drawn to Appendix I headed “*Financial Information Relating to the Group*”, Appendix II headed “*Property Valuation Report*” and Appendix III headed “*General Information*” to this Scheme Document.

15. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 9:00 a.m. on Friday, 3 May 2019.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

16. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Tuesday, 30 April 2019, it is proposed that the register of members of the Company will be closed from Thursday, 25 April 2019 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Wednesday, 24 April 2019.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Thursday, 2 May 2019, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Tuesday, 14 May 2019.

Upon the Scheme becoming effective, the Scheme Shares underlying the ADSs will be cancelled and extinguished together with all other Scheme Shares in consideration for the Cancellation Price. As the ADSs are governed by the Deposit Agreement (which is governed by the laws of the State of New York) and not Hong Kong law, the terms of the Proposal do not provide for the cancellation of the ADSs.

EXPLANATORY STATEMENT

As at the Latest Practicable Date, there were 2,585,891 Shares represented by ADSs where every one ADS represents one Share.

Please refer to “*Actions to be taken by ADS Holders*” under the section headed “21. *Actions to be taken*” in this Explanatory Statement for further information.

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

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

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

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

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Thursday, 2 May 2019.

EXPLANATORY STATEMENT

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

17. OVERSEAS SHAREHOLDERS

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

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

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

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, filings and/or registrations which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes or expenses due from such shareholder in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were 85 Shareholders (representing approximately 2.08% of the total number of the Shareholders) whose addresses as shown in the register of members of the Company (“**registered addresses**”) were outside Hong Kong and those Shareholders together held 333,668 Shares (representing approximately 0.04% of the total issued Shares). Those 85 Shareholders included: 9 Shareholders whose registered address were in Australia, 1 Shareholder whose registered address was in Belgium, 11

EXPLANATORY STATEMENT

Shareholders whose registered address were in Canada, 8 Shareholders whose registered address were in the PRC, 14 Shareholders whose registered addresses were in the United Kingdom, 1 Shareholder whose registered addresses was in the Republic of Korea, 8 Shareholders whose registered addresses were in Macau Special Administrative Region, 6 Shareholders whose registered addresses were in Malaysia, 3 Shareholders whose registered addresses were in New Zealand, 6 Shareholders whose registered addresses were in Singapore, 1 Shareholder whose registered addresses was in Taiwan, and 17 Shareholders whose registered address were in the United States. The directors of the Offeror and the Directors had been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders. The Scheme will apply to and this Scheme Document will be despatched to those overseas Shareholders.

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

18. TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal and, in particular, whether the receipt of the Cancellation Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, Citigroup, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their approval or rejection, or the implementation, of the Proposal.

19. COURT MEETING AND EGM

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

As the Consortium Offeror Concert Parties are not Scheme Shareholders, each of the Consortium Offeror Concert Parties will procure that any Shares in respect of which they are beneficially interested will not be voted at the Court Meeting.

EXPLANATORY STATEMENT

In accordance with the Takeovers Code, each of Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG, being the Non-Consortium Offeror Concert Parties, are required to abstain from voting at the Court Meeting notwithstanding that the Scheme Shareholders include them.

In addition, pursuant to Rule 35.4 of the Takeovers Code, any Shares (other than Shares underlying the ADSs which are held on non-discretionary basis) owned by exempt principal traders within the Citigroup group being exempt principal traders connected with the Offeror must not be voted at the Court Meeting.

In accordance with the trust deed of the HHL Employees' Share Award Scheme, BOCI Trustee will not exercise the voting rights attached to the Shares held under the HHL Employees' Share Award Scheme Trust at the Court Meeting and the EGM.

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished. All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution at the EGM (except that BOCI Trustee will not exercise the voting rights attached to the Shares held under the HHL Employees' Share Award Scheme Trust).

Notice of the Court Meeting is set out on pages N-1 to N-3 of this Scheme Document. The Court Meeting will be held on Thursday, 21 March 2019 at the time and place specified in the notice.

Notice of the EGM is set out on pages N-4 to N-6 of this Scheme Document. The EGM will be held at the same place and on the same date at 11:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

As at the Latest Practicable Date, neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

20. INDICATIONS AS TO VOTING

Sir Gordon WU, Lady Ivy WU, Mr. Guy WU, Mr. Eddie HO, Mr. Josiah Chin Lai KWOK and Mr. Albert Kam Yin YEUNG, all being Directors and Offeror Concert Parties, have indicated that, if the Scheme is approved at the Court Meeting, those Shares which they hold or beneficially own will be voted in favour of the special resolution to be proposed at the EGM to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished.

EXPLANATORY STATEMENT

21. ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 14 March 2019 to Thursday, 21 March 2019 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers of share ownership accompanied by the relevant share certificates must be lodged with the Share Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Wednesday, 13 March 2019. A subsequent purchaser of Scheme Shares purchased during the above period of closure of register of members will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the EGM.

A **pink** form of proxy for use at the **Court Meeting** and a **white** form of proxy for use at the **EGM** are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the Company's registered office, at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. The pink form of proxy may also be handed to the Chairman of the Court Meeting at the Court Meeting. The white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

EXPLANATORY STATEMENT

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be deemed to have been revoked.

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

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

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

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

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

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

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

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

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

EXPLANATORY STATEMENT

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

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and in such event, the relevant form of proxy will be deemed to have been revoked.

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

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “*General Rules of CCASS*” and the “*CCASS Operational Procedures*” in effect from time to time.

Actions to be taken by ADS Holders

If you are an ADS Holder, you cannot vote at the Court Meeting or the EGM directly but may instruct the Depositary through written instruction to cause the Shares underlying your ADSs to be voted in accordance with the terms and conditions of the Deposit Agreement. You are strongly urged to respond through written instruction in the Depositary Notice provided by the Depositary to instruct the Depositary to cause the Shares underlying your ADSs to be voted in accordance with your instruction so that the Depositary receives such instruction no later than the specified time as set out on the Depositary Notice. If you do not instruct the Depositary by written request or fail to deliver the instruction to the Depositary by the specified time as set out on the Depositary Notice, the Shares underlying your ADSs will not be voted at the Court Meeting or the EGM. If you hold ADSs indirectly, you must rely on the procedures of the bank, broker or financial institution in which such ADSs are held.

EXPLANATORY STATEMENT

If you are an ADS Holder and wish to attend the Court Meeting and the EGM (whether in person or by proxy), you must elect to become a Shareholder by surrendering your ADSs to the Depositary in accordance with the terms and conditions of the Deposit Agreement and withdrawing the Shares represented by your ADSs in accordance with the terms and conditions of the Deposit Agreement before 5:00 p.m. (New York time) on Monday, 4 March 2019 so that you become a Scheme Shareholder prior to 4:30 p.m. (Hong Kong time) on Wednesday, 13 March 2019 and remain as a Scheme Shareholder on the Meeting Record Date. However, you must pay a fee to the Depositary pursuant to the Deposit Agreement and all taxes and governmental charges payable in connection with such surrender and withdrawal of the Shares. In order to surrender your ADSs and withdraw the underlying Shares, you should contact your broker or custodian to make the necessary arrangements, or otherwise you may contact the Depositary at 1-877-248-4237 (toll free) or 1-781-575-4555 (outside US).

22. EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, YOU ARE STRONGLY URGED TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR AT THE EGM.

IF YOU ARE AN ADS HOLDER, YOU ARE STRONGLY URGED TO INSTRUCT THE DEPOSITARY TO CAUSE THE SHARES UNDERLYING YOUR ADSs TO BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTION AT THE COURT MEETING AND/OR AT THE EGM.

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

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

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

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

23. FURTHER INFORMATION

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

EXPLANATORY STATEMENT

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

24. LANGUAGE

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

1. FINANCIAL SUMMARY

As detailed in the Company's announcement published on 8 May 2018, the Board has resolved to change the financial year end date from 30 June to 31 March following the publication of the audited consolidated financial statements of the Group for the year ended 30 June 2018.

Set out below is a summary of the consolidated financial information of the Group for each of the three years ended 30 June 2016, 30 June 2017 and 30 June 2018 and for the three months ended 30 September 2018. The figures for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 are extracted from the annual report of the Company for the year ended 30 June 2016, 30 June 2017 and 30 June 2018, and the figures for the three months ended 30 September 2018 are extracted from the interim report of the Company for the three months ended 30 September 2018.

The auditors' reports issued by the auditors of the Company, Deloitte Touche Tohmatsu, in respect of the audited consolidated financial statements of the Group for each of the three years ended 30 June 2016, 30 June 2017 and 30 June 2018 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

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

	(Unaudited) For the three months ended 30 September 2018	(Audited) For the year ended 30 June		
	2018	2018	2017	2016
	<u>HK\$'million</u>	<u>HK\$'million</u>	<u>HK\$'million</u>	<u>HK\$'million</u>
Turnover	404	1,984	2,360	1,850
Profit before taxation:				
– Continuing operations	535	3,719	1,889	N/A [#]
– Discontinued operations	–	678	720	N/A [#]
– Gain on HHI Disposal before taxation	–	5,783	–	–
	<u>535</u>	<u>10,180</u>	<u>2,609</u>	<u>3,230</u>
Taxation:				
– Continuing operations	(34)	(273)	(344)	N/A [#]
– Discontinued operations	–	(41)	(42)	N/A [#]
– Income tax expense from gain on HHI Disposal	–	(663)	–	–
	<u>(34)</u>	<u>(977)</u>	<u>(386)</u>	<u>(235)</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	(Unaudited) For the three months ended 30 September 2018 <i>HK\$'million</i>	(Audited) For the year ended 30 June		
	2018 <i>HK\$'million</i>	2018 <i>HK\$'million</i>	2017 <i>HK\$'million</i>	2016 <i>HK\$'million</i>
Profit for the year:				
– Continuing operations	501	3,446	1,545	N/A [#]
– Discontinued operation	–	5,757	678	N/A [#]
	<u>501</u>	<u>9,203</u>	<u>2,223</u>	<u>2,995</u>
Profit for the year attributable to owners of the Company:				
– Continuing operations	500	3,439	1,521	N/A [#]
– Discontinued operation	–	5,530	440	N/A [#]
	<u>500</u>	<u>8,969</u>	<u>1,961</u>	<u>2,762</u>
Profit for the year attributable to non-controlling interests:				
– Continuing operations	1	7	24	N/A [#]
– Discontinued operation	–	227	238	N/A [#]
	<u>1</u>	<u>234</u>	<u>262</u>	<u>233</u>
Total comprehensive income (expense) attributable to:				
– Owners of the Company	421	8,710	1,865	2,116
– Non-controlling interests	(6)	401	222	13
	<u>415</u>	<u>9,111</u>	<u>2,087</u>	<u>2,129</u>
Total dividends recognised as distribution	<u>764</u>	<u>3,262</u>	<u>1,131</u>	<u>1,088</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share				
From continuing and discontinued operations				
Basic	<u>0.58</u>	<u>10.31</u>	<u>2.25</u>	<u>3.17</u>
From continuing operations				
Basic	<u>0.58</u>	<u>3.95</u>	<u>1.75</u>	<u>N/A[#]</u>
Total dividends recognised as distribution per share	<u>0.88</u>	<u>3.75</u>	<u>1.30</u>	<u>1.25</u>

During the year ended 30 June 2018, the Group entered into a disposal agreement to transfer an aggregate of 66.69% equity interests in HHI, which carried out all of the Group's toll road investment business through its joint ventures, to an independent third party for a consideration of approximately HK\$9,865 million. The disposal was completed on 4 April 2018. Accordingly, the figures for the years ended 30 June 2017 and 30 June 2018, and the three months ended 30 September 2018 from the toll road investment business are presented as discontinued operation. The comparative figures for the year ended 30 June 2016 have not been restated.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 30 June 2018 (the “**2018 Financial Statements**”) and (ii) the unaudited condensed interim financial statements of the Group for the three months ended 30 September 2018 (the “**2018 Interim Financial Statements**”), together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out on pages 96 to 164 of the Annual Report 2018 of the Company, which was published on 22 August 2018. The Annual Report 2018 is posted on the Company's website <http://www.hopewellholdings.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Annual Report 2018:

https://www.hopewellholdings.com/eng/pdf/annual_interim_reports/HHL_Annual_Report_2017_18_Eng.pdf

The 2018 Interim Financial Statements are set out on pages 48 to 74 in the Interim Report 2018/19 of the Company, which was published on 31 October 2018. The Interim Report 2018/19 is posted on the Company's website <http://www.hopewellholdings.com> and the website of the Stock Exchange at www.hkexnews.hk. Please also see below a direct link to the Interim Report 2018/19:

https://www.hopewellholdings.com/eng/pdf/annual_interim_reports/HHL_Interim_Report_2018_19_Eng.pdf

The 2018 Financial Statements and the 2018 Interim Financial Statements (but not any other part of the Annual Report 2018 and Interim Report 2018/19 in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 November 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had outstanding indebtedness as summarised below:

Bank borrowings

The Group had total outstanding bank borrowings of approximately HK\$1,400 million which were unsecured and guaranteed. As at 30 November 2018, the interest rate range of the outstanding bank borrowings were at floating rates ranging from 1.69% to 2.16% per annum.

Amount due to a minority shareholder of a subsidiary

The Group had amount due to a minority shareholder of a subsidiary of the Company, being unsecured and unguaranteed, and interest-free with an outstanding principal amount of approximately HK\$20 million.

Contingent liabilities

A subsidiary of the Company has acted as the guarantor for the repayment of mortgage bank loans amounting to approximately HK\$3.3 million as of 30 November 2018 granted to purchasers of the subsidiary's properties.

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade payables, the Group did not, as at 30 November 2018, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

4. PROPERTY INTERESTS AND ADJUSTED NAV OF THE GROUP

The valuation of the Group’s property interests as at 30 November 2018 was conducted by Cushman & Wakefield Limited, the independent professional valuer appointed by the Company. The total market value of the property interests in existing state attributable to the Shareholders as at 30 November 2018 was approximately HK\$55.7 billion, as set out below:

	Market value of the property interest in existing state attributable to the Shareholders HK\$’ million	Proportion of total
Completed investment properties ⁽¹⁾ (including other properties in PPE)	34,985	62.8%
Hotel property (PPE) ⁽²⁾	3,285	5.9%
Properties under/for development ⁽³⁾	11,950	21.4%
Properties held by joint venture/associate ⁽⁴⁾	888	1.6%
Stock of properties ⁽⁵⁾	4,599	8.3%
Total property interests	55,707	100.0%

Notes:

1. *The aggregate market value of completed investment properties (including other properties in Property, plant and equipment (“PPE”)), which generate recurring revenue for the Group, was approximately HK\$35.0 billion, representing approximately 62.8% of the total appraised value (the “Appraised Value”) of the property interests attributable to the Shareholders as at 30 November 2018.*

Completed investment properties mainly comprise office, retail and residential properties. The properties are (1) Hopewell Centre; (2) Kowloonbay International Trade & Exhibition Centre; (3) GardenEast; (4) QRE Plaza; (5) four commercial units, one restaurant unit and 80 carparking spaces at Wu Chung House; and (6) the shopping arcade and various carparking spaces of Panda Hotel. These properties were mainly valued at, using income capitalisation method (the “Income Method”), by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties and making reference to lettings within the subject property as well as other relevant comparable rental evidences and comparable sales transactions.

2. *The hotel portion of Panda Hotel was valued at approximately HK\$3.3 billion as at 30 November 2018, representing approximately 5.9% of the Appraised Value. It was valued by direct comparison method (the “Direct Comparison Method”) by making reference to comparable sales transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors.*
3. *Properties under/for development, mainly comprising Hopewell Centre II, 153-167 Queen’s Road East and Hill Side Terrace Cluster, were valued at approximately HK\$12.0 billion as at 30 November 2018, representing approximately 21.4% of the Appraised Value.*

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

In arriving the valuation of the properties, the Valuer has taken into consideration of the gross development value (market value as if completed), the development costs incurred and the costs that will be incurred to complete the proposed developments. The gross development value was assessed using the Direct Comparison Method and taking into account comparable sales transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors.

4. *This represents the property interests held by the Group's joint venture and associate and attributable to the Shareholders, which were valued by either (1) the Income Method or (2) the Direct Comparison Method.*
5. *Stock of properties, comprising Hopewell New Town in the PRC, were valued at approximately HK\$4.6 billion as at 30 November 2018, representing approximately 8.3% of the Appraised Value.*

Hopewell New Town principally consists of properties for sale, properties under development and properties for future development. These properties were valued by the Direct Comparison Method. The value of the properties under development was arrived at after taking into account the development costs incurred and to be incurred to complete the proposed development.

Further details of the aforementioned property interests and their corresponding valuation report prepared by Cushman & Wakefield Limited are set out in Appendix II to this Scheme Document.

Based on the unaudited consolidated financial statements of the Company as at 30 September 2018, the unaudited NAV of the Group as at 30 September 2018 were approximately HK\$52,303.4 million (or approximately HK\$60.2 per Share).

As disclosed in the Interim Report 2018/19, the adjusted shareholders' equity on a per Share basis was approximately HK\$66.2 as at 30 September 2018, which was based on the unaudited NAV of the Group adjusted by the underlying market value of the Group's hotel properties (comprising Panda Hotel and the hotel portion of Hopewell Centre II) as at 30 September 2018.

Some of the property interests of the Group were stated at cost basis in accordance with Hong Kong Financial Reporting Standards. Given that the amount of these property interests were included in the aforesaid two methods of computation, we consider that the appraised value of all properties interests held by the Group is more appropriate to assess the net asset backing of the Group. For this purpose, we have prepared the Adjusted NAV of the Group, based on the unaudited consolidated financial statements of the Company as at 30 September 2018 and the adjustments as set out in the table below, which include the revaluation surplus arising from property valuation, net of estimated deferred tax:

	<i>HK\$' million</i>
Unaudited NAV of the Group as at 30 September 2018	52,303
<i>Adjustments:</i>	
– Revaluation surplus arising from the valuation of property interests attributable to the Shareholders as at 30 November 2018 (<i>Note 1</i>)	10,829
– Deferred tax on attributable revaluation surplus (<i>Note 2</i>)	(3,764)
– First interim dividend for the year ending 31 March 2019 of HK\$0.30 per Share paid on 23 November 2018	(260)
Adjusted NAV of the Group	<u>59,108</u>
Adjusted NAV of the Group per Share (<i>Note 3</i>)	<u>HK\$68.05</u>

Notes:

1. *Represented the revaluation surplus arising from the excess of the market value of the property interests held by the Group (including joint venture and associate) in existing state attributable to the Shareholders of approximately HK\$55,707 million as at 30 November 2018, as appraised by Cushman & Wakefield Limited, over their corresponding book values attributable to the Shareholders of approximately HK\$44,878 million as at 30 November 2018, after adjusting for relevant interests not attributable to the Group. Among the total revaluation surplus, approximately HK\$6,676 million and HK\$4,153 million were attributable to the Group's properties located in Hong Kong and the PRC, respectively.*
2. *Represents deferred tax (the "Deferred Tax") on temporary differences between the market values of the property interests and the corresponding tax base used in computation of taxable profit, except that no deferred tax is provided for investment properties located in Hong Kong as the market value of such properties are presumed to be recovered through sale. Deferred tax is calculated at tax rates of 16.5% for Hong Kong profits tax and 25% for PRC corporate income tax, while land appreciation tax is estimated at progressive rates ranging from 30% to 60% of appreciation value with certain allowable deductions according to the relevant PRC tax laws and regulations. Among the Deferred Tax, approximately HK\$1,037 million and HK\$2,727 million were attributable to the Group's properties located in Hong Kong (comprising hotel properties and own-used portions of investment properties) and the PRC, respectively.*
3. *Based on 868,620,621 Shares in issue as at the Latest Practicable Date.*

5. MATERIAL CHANGE

The Directors confirm that save as those disclosed in the interim report of the Company for the three months ended 30 September 2018, in particular,

- (i) completion of the HHI Disposal on 4 April 2018 and accordingly no contribution from HHI after the financial year ended 30 June 2018;
- (ii) the increase in average monthly interest income from bank deposits for the three months ended 30 September 2018 compared to that for the year ended 30 June 2018 as a result of the receipt of proceeds from the HHI Disposal; and
- (iii) no residential sales were recognised,

there has been no material change in the financial or trading position or outlook of the Group since 30 June 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this Scheme Document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 30 November 2018.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

25 February 2019

The Directors
Hopewell Holdings Limited
64/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Hopewell Holdings Limited (the "Company") for us to value the properties in which the Company or its subsidiaries (the Company and its subsidiaries collectively hereinafter referred to as the "Group") have interests in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 November 2018 (the "Valuation Date"). As advised by the Company, the Group has no properties outside Hong Kong and the PRC.

BASIS OF VALUATION

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with the requirements set out in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules

Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors.

Our valuation of each of the properties is on an entirety interest basis.

VALUATION ASSUMPTIONS

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

In the course of our valuation of the PRC properties, we have relied on the information and advice given by the Company's PRC legal adviser regarding the titles to the properties and the interests of the Company in the properties in the PRC. Unless otherwise stated, in valuing the properties, we have assumed that the Group has enforceable titles to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of their respective unexpired land use terms as granted and that any premiums payable have already been fully paid.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, according to the information provided by the Company, are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

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 a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

Properties nos. 1 to 7 in Group I and no. 16 in Group VI are investment properties, we have mainly used the Investment Method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties, which is a commonly acceptable and adopted method for rental income generating properties when rental comparables are abundant and readily available. We have mainly made reference to lettings within the subject properties as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors. The capitalisation rates adopted in our valuations are based on our analyses of the market yields for similar property type after due adjustments. Such capitalisation rates are estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the

expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields implied in comparable transactions of the relevant use type. We have also cross-checked our valuations by making reference to comparable sales evidence as available in the relevant market.

For property no. 8 in Group II and no. 21 in Group IX, which are properties under development, we have firstly assessed the market value as if completed (the gross development value) of each of the properties. The gross development value represents our opinion of the market value of the proposed development at each of the properties assuming it were fully completed at the Valuation Date. In arriving at the valuation of the properties, we have also taken into account the development costs incurred and the costs that will be incurred to complete each of the proposed developments. We have assumed that the proposals have been approved by all relevant government authorities without material change. We have valued each of the properties on the basis that it will be developed in accordance with such proposals. In assessing the gross development value, we have used the Market Comparison Method by making reference to comparable sale transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors. Comparable sales transactions are frequent and information about such sales is readily available, we have therefore used the Market Comparison Method which is in line with the market practice.

For properties nos. 9 to 13 in Group III, no. 14 in Group IV, nos. 17 and 18 in Group VI, no. 19 in Group VII, and no. 22 in Group X, we have valued them by the Market Comparison Method by making reference to comparable sales transactions as available in the market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time, configuration and other relevant factors with due allowance for development costs where appropriate. Comparable sales transactions are abundant and information about such sales is readily available, we have therefore used the Market Comparison Method which is in line with the market practice.

In addition, property no. 14 in Group IV is a hotel currently under operation. In the course of our valuation, we have assumed all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation in Hong Kong are properly in place. We have made reference to sale transactions which are available in the market of en-bloc hotels which are similar to the subject hotel in terms of scale and calibre.

Property no. 15 in Group V is leased by the Group from Hong Kong Industrial Estates Corporation (the "Corporation") (now known as Hong Kong Science and Technology Parks Corporation) and is subject to restrictions on alienation. The lease stipulates that if the Group wishes to assign such property at any time during the term of the lease, the Group shall first offer to surrender its interest to the Corporation at a consideration to be calculated in accordance with a formula set down in the lease. We have referred to the relevant conditions in the relevant lease regarding alienation and the prescribed way of calculation of surrender consideration in undertaking our valuation.

For property no. 20 in Group VIII, due to the specific nature of the properties and lack of sales transactions of properties with the same characteristics in the vicinity, we have adopted the Depreciated Replacement Costs (“DRC”) Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have used the Market Comparison Method by making reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, site constraints, configuration and other relevant factors. The DRC Method is subject to service potential of the entity from the use of assets as a whole. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

POTENTIAL TAX LIABILITIES

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

Hong Kong properties

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

PRC properties

- Value added tax (“VAT”) at 5%/10% on the transaction amount
- Enterprise income tax at 25% on gain
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value
- Stamp duty at 0.05% on the transaction amount
- Other surcharge at approximately 11% of VAT paid

In respect of properties nos. 17, 19, 21 and 22, which are held for sale, it is likely that the relevant tax liabilities will be crystallised upon sale. In respect of other properties held by the Group, the likelihood of the relevant tax liabilities being crystallised is remote as the Group has no plans for disposal of such properties yet.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as statutory notices, orders, easements, tenure, lettings, licences, particulars of occupancy, identification of properties, trading accounts, site and floor plans, site and floor areas, number of parking spaces, number of guest rooms, development schemes, approximate cost estimations, development time schedules and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

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 respect of the properties in Hong Kong. We have relied to a considerable extent on the information given by the Company and the Company's PRC legal adviser, Commerce & Finance Law Offices, in respect of the title to the properties in the PRC. However, we have not searched the original documents of all properties to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

We have inspected the exterior and wherever possible, the interior of the properties. The site inspections of the properties in Hong Kong were carried out in December 2018 by Amy Ho (MRICS, MHKIS, RPS (GP)), Angelina Kwok (MRICS, MHKIS, RPS (GP)), Shirley Kwong (holder of Bachelor degree in Property Management), Terrence Lai (holder of Bachelor degree in Property Management) and Ross Chan (holder of Bachelor degree in Property Management) of our Hong Kong office. The site inspections of the properties in the PRC were carried out in December 2018 by Victor Li (holder of Bachelor degree in Real Estate Management) of our Guangzhou office. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not 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. For those properties which are held under or for future development, we have not carried out any soil investigations to determine the suitability of soil conditions and services for any development. Moreover, we have not undertaken any environmental survey for the properties. Our valuations are prepared on the assumptions that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Hong Kong Dollars (“HK\$”) for the properties in Hong Kong and in Renminbi (“RMB”) for the properties in the PRC. For the purpose of illustration only, conversion of RMB into HK\$ in the summary of valuations and our valuation report is based on the exchange rate of RMB1 to HK\$1.124. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

OTHER DISCLOSURE

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

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, MHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 30 years’ experience in valuation of properties in Hong Kong and the PRC. Mr. Wong is competent and has sufficient current knowledge of the market and the skill to undertake the valuations.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 November 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 November 2018
Group I – Properties held by the Group for investment in Hong Kong			
1. Hopewell Centre, No. 183 Queen’s Road East, Wan Chai, Hong Kong.	HK\$16,275,000,000	100%	HK\$16,275,000,000
2. Commercial Portion and various Car Parking Spaces of Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories.	HK\$2,216,000,000	100%	HK\$2,216,000,000
3. Kowloonbay International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon.	HK\$12,143,000,000	100%	HK\$12,143,000,000
4. QRE Plaza, No. 202 Queen’s Road East, Wan Chai, Hong Kong.	HK\$1,503,000,000	100%	HK\$1,503,000,000
5. Commercial Units G03 and G04 on Ground Floor, Commercial Units 201, 202 and Restaurant on 2nd Floor, Wu Chung House, No. 213 Queen’s Road East, Wan Chai, Hong Kong.	HK\$517,000,000	100%	HK\$517,000,000
6. 10 Lorry Parking Spaces on the 3rd Floor, 39 Car Parking Spaces on the 4th Floor and 31 Car Parking Spaces on the 5th Floor and the Remaining Portion of Reserved Areas, Wu Chung House, No. 213 Queen’s Road East, Wan Chai, Hong Kong.	HK\$167,800,000	100%	HK\$167,800,000

APPENDIX II**PROPERTY VALUATION REPORT**

Property	Market value in existing state as at 30 November 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 November 2018
7. GardenEast, No. 222 Queen's Road East, Wan Chai, Hong Kong.	HK\$2,063,000,000	100%	HK\$2,063,000,000
	_____		_____
Sub-total of Group I:	HK\$34,884,800,000		HK\$34,884,800,000
Group II – Property held by the Group under development in Hong Kong			
8. Hopewell Centre II, Inland Lot No. 8715, Kennedy Road, Wan Chai, Hong Kong.	HK\$9,402,000,000	100%	HK\$9,402,000,000
	_____		_____
Sub-total of Group II:	HK\$9,402,000,000		HK\$9,402,000,000
Group III – Properties held by the Group for future development in Hong Kong			
9. 153, 153A, 155, 157, 159, 161, 163, 165 and 167 Queen's Road East, Wan Chai, Hong Kong.	HK\$1,141,000,000	100%	HK\$1,141,000,000
10. 55 Ship Street, 1A and 1-3 Hill Side Terrace, Wan Chai, Hong Kong.	HK\$560,000,000	100%	HK\$560,000,000
11. 53 Ship Street and 1-5 Schooner Street, Wan Chai, Hong Kong.	HK\$267,000,000	100%	HK\$267,000,000
12. Inland Lot No. 9048, Schooner Street, Wan Chai, Hong Kong.	HK\$200,000,000	100%	HK\$200,000,000
13. 11 domestic units, 7 office units, 8 shop units in 10 locations in Wan Chai, Hong Kong Island.	HK\$379,800,000	100%	HK\$379,800,000
	_____		_____
Sub-total of Group III:	HK\$2,547,800,000		HK\$2,547,800,000

APPENDIX II**PROPERTY VALUATION REPORT**

Property	Market value in existing state as at 30 November 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 November 2018
Group IV – Property held and operated by the Group in Hong Kong			
14. Hotel Portion, Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories.	HK\$3,285,000,000	100%	HK\$3,285,000,000
	_____		_____
Sub-total of Group IV:	HK\$3,285,000,000		HK\$3,285,000,000
Group V – Property occupied by the Group in Hong Kong			
15. Sub-section 1 of Section G of Tai Po Town Lot No. 1, 6-8 Dai Fat Street, Tai Po, New Territories.	HK\$1,480,000	100%	HK\$1,480,000
	_____		_____
Sub-total of Group V:	HK\$1,480,000		HK\$1,480,000
Group VI – Properties held by joint venture/associate of the Company in Hong Kong			
16. Commercial Accommodation (excluding Turnaround and Lay-by Area, Pavement and Public Open Space) together with ancillary car-parking facilities on Site A Phase 2, The Avenue, 200 Queen’s Road East Wan Chai, Hong Kong.	HK\$2,816,000,000	30%	HK\$844,800,000
17. Residential Car Parking Spaces Nos. R09, R45 and R110, The Avenue, 200 Queen’s Road East Wan Chai, Hong Kong.	HK\$9,000,000	25%	HK\$2,250,000
18. Car Parks Nos. 1 to 12, 53 to 59 and 65 to 78 on 5th Floor together with adjoining spaces, if any, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.	HK\$89,000,000	45.95%	HK\$40,895,500
	_____		_____
Sub-total of Group VI:	HK\$2,914,000,000		HK\$887,945,500

Property	Market value in existing state as at 30 November 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 November 2018
Group VII – Completed property held by the Group for sale in the PRC			
19. The unsold portions of Phases 1A, 1B, 2, 3, 4A and 4B, Hopewell New Town held for sale, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市 花都區新華鎮迎賓大道南側 “合和新城”供銷售的1A期、1B期、2期、 3期、4A期及4B期之未售部分)	RMB547,000,000 <i>(equivalent to HK\$614,828,000)</i>	95%	RMB519,650,000 <i>(equivalent to HK\$584,086,600)</i>
Sub-total of Group VII:	RMB547,000,000 <i>(equivalent to HK\$614,828,000)</i>		RMB519,650,000 <i>(equivalent to HK\$584,086,600)</i>
Group VIII – Completed property held by the Group for owner occupation in the PRC			
20. The multi-purpose building of Hopewell New Town, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市 花都區新華鎮迎賓大道南側 合和新城綜合樓)	RMB93,000,000 <i>(equivalent to HK\$104,532,000)</i>	95%	RMB88,350,000 <i>(equivalent to HK\$99,305,400)</i>
Sub-total of Group VIII:	RMB93,000,000 <i>(equivalent to HK\$104,532,000)</i>		RMB88,350,000 <i>(equivalent to HK\$99,305,400)</i>

Property	Market value in existing state as at 30 November 2018	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 November 2018
Group IX – Property held by the Group under development in the PRC			
21. Phases 5A and 6, Hopewell New Town, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市 花都區新華鎮迎賓大道南側 合和新城5A期及6期)	RMB2,152,000,000 <i>(equivalent to HK\$2,418,848,000)</i>	95%	RMB2,044,400,000 <i>(equivalent to HK\$2,297,905,600)</i>
Sub-total of Group IX:	RMB2,152,000,000 <i>(equivalent to HK\$2,418,848,000)</i>		RMB2,044,400,000 <i>(equivalent to HK\$2,297,905,600)</i>
Group X – Property held by the Group for future development in the PRC			
22. Phases 5B, 7, 8, 9, 10, 11, 12, E1 and E2, and clubhouse, Hopewell New Town, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市 花都區新華鎮迎賓大道南側 合和新城5B期、7期、8期、9期、10期、11期、 12期、E1期、E2期及會所)	RMB1,608,000,000 <i>(equivalent to HK\$1,807,392,000)</i>	95%	RMB1,527,600,000 <i>(equivalent to HK\$1,717,022,400)</i>
Sub-total of Group X:	RMB1,608,000,000 <i>(equivalent to HK\$1,807,392,000)</i>		RMB1,527,600,000 <i>(equivalent to HK\$1,717,022,400)</i>

VALUATION REPORT

Group I – Properties held by the Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
1. Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong. Inland Lot No. 8551.	<p>The property comprises a 66-storey (including a basement and a mezzanine above the 17th floor) commercial building. There are a total of 250 car parking spaces and 50 loading and unloading spaces within the building. The property was completed in 1983.</p> <p>The basement to the 3rd, 6th to 8th, 17th and 61st to 62nd floors are for commercial use. The car parking spaces and loading and unloading spaces are located on the 4th, 5th and 9th to 15th floors. The refuge areas are located on the 32nd and 45th floors. The remaining floors are designated for office use.</p> <p>The total gross floor area of the property is approximately 840,692 sq.ft. (78,102.19 sq.m.), excluding the area of car parking spaces and loading and unloading spaces.</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Exchange No. UB11834 for a term of 75 years from 23 May 1985 renewable for a further term of 75 years. The government rent payable for the lot is HK\$1,000 per annum.</p>	<p>As at the Valuation Date, except for a total area of approximately 122,939 sq.ft. (11,421.31 sq.m.) which was vacant, the shops and offices were let to various tenants for terms of mostly 1 year and 6 months to 6 years with the latest tenancy due to expire on 31 March 2024 at a total rent of about HK\$33,900,000 per month, mostly exclusive of rates, management fees and air-conditioning charges.</p> <p>The car parking spaces were licensed on monthly and hourly basis. The average car park income received in the period from July 2018 to October 2018 was about HK\$1,440,000 per month.</p>	<p>HK\$16,275,000,000</p> <p>(HONG KONG DOLLARS SIXTEEN BILLION TWO HUNDRED AND SEVENTY FIVE MILLION)</p> <p>(100% interest attributable to the Group: HK\$16,275,000,000)</p>

Notes:

- (1) The registered owner of the property is Singway (B.V.I.) Company Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a No-Objection Letter from District Lands Office/Hong Kong West vide Memorial No. UB6591354 dated 29 March 1996.
- (3) The property is subject to a Modification Letter from District Lands Office/Hong Kong East vide Memorial No. 12102501960011 dated 24 October 2012.
- (4) The property is subject to a Consent Letter as to revised car park layout plan from Lands Department vide Memorial No. 12110600570135 dated 11 May 2012.
- (5) The property is subject to a Deed of Grant of Right of Way vide Memorial No. 12110702320022 dated 24 October 2012.
- (6) The property is zoned for “Commercial (5)” use under Wan Chai Outline Zoning Plan No. S/H5/28.
- (7) In valuing the property, we have assumed unit rents from about HK\$30 per sq.ft. to HK\$252 per sq.ft. for retail portion and from about HK\$53 per sq.ft. to HK\$67 per sq.ft. for office portion. We have assumed a capitalisation rate of 3.5% for both retail and office premises.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$18 per sq.ft. to HK\$253 per sq.ft.. The monthly rent of office premises fall in the range from about HK\$34 per sq.ft. to HK\$80 per sq.ft.. We have gathered and analysed various recent sales transactions of shops and offices and noted that the yield implied in those transactions are generally within the range from about 2.3% to 3.5% for retail premises and from about 2.3% to 4% for office premises. The above market rents assumed by us are consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time. The capitalisation rate adopted is reasonable having regard to the analysed yields.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
<p>2. Commercial Portion and various Car Parking Spaces of Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories.</p> <p>Situated within Tsuen Wan Town Lot No. 312.</p>	<p>The property comprises all the commercial units on the basement levels 1 to 3, ground, 2nd, 3rd and 4th floors and various car parking spaces on the 3rd, 4th, 5th, 6th and 7th floors of a 33-storey (including a 3-level basement) hotel/commercial complex. The building was completed in 1991.</p> <p>The total gross floor area of the property is approximately 244,716 sq.ft. (22,734.67 sq.m.) (excluding the area of car parking spaces).</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under New Grant No. 6598 for a term of 99 years less the last 3 days 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, except for a total area of approximately 24,221, sq.ft. (2,250.19 sq.m.) which was vacant, the commercial units are let to various tenants for terms of mostly 1 to 3 years and the latest tenancy due to expire in August 2024 at a total rent of about HK\$5,638,000 per month, mostly exclusive of rates, management fees and air-conditioning charges.</p> <p>The car parking spaces were licensed on monthly or hourly basis. The average car park income received in the period from July 2018 to October 2018 was about HK\$1,109,000 per month.</p>	<p>HK\$2,216,000,000</p> <p>(HONG KONG DOLLARS TWO BILLION TWO HUNDRED AND SIXTEEN MILLION)</p> <p>(100% interest attributable to the Group: HK\$2,216,000,000)</p>

Notes:

- (1) The registered owner of the property is Kowloon Panda Hotel Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is subject to two Modification Letters vide Memorial Nos. TW651459 and TW869607 dated 20 March 1990 and 30 November 1992 respectively.
- (3) The property is zoned for "Residential (A)" use under Tsuen Wan Outline Zoning Plan No. S/TW/33.
- (4) In valuing the property, we have assumed unit rents from about HK\$13.5 per sq.ft. to HK\$113 per sq.ft. for the retail premises and have assumed a capitalisation rate of 4%.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$10 per sq.ft. to HK\$113 per sq.ft. We have gathered and analysed various recent sales transactions of shops and noted that the yield implied in those transactions are generally within the range from about 2.4% to 4% for retail premises. The above market rents assumed by us are consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time. The capitalisation rate adopted is reasonable having regard to the analysed yields.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
3. Kowloonbay International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon. New Kowloon Inland Lot No. 6032.	<p>The property comprises an 18-storey (including a 4-level basement) commercial building which accommodates shopping arcade, convention and exhibition facilities and offices. It also comprises a total of 763 car parking spaces and various loading and unloading areas.</p> <p>The property was completed in 1996. In addition, an Occupation Permit was issued on 11 October 2007 in respect of the multi-purpose hall which is an extension built on the 3rd floor of the building.</p> <p>The total gross floor area of the property is approximately 1,774,555 sq.ft. (164,860.18 sq.m.) (excluding the area of car parking spaces).</p> <p>The locality of the property is characterized by a mixture of commercial and industrial developments of various ages.</p> <p>The property is held from the Government under Conditions of Sale No. UB11985 for a term from 27 November 1987 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, except for a total area of approximately 197,850 sq.ft. (18,380.71 sq.m.), the shops and offices were let to various tenants for terms of mostly 1 to 4 years with the latest tenancy due to expire in September 2022 at a total rent of about HK\$22,649,000 per month, exclusive of rates, management fees and air-conditioning charges.</p> <p>The average monthly gross income received from the convention and exhibition facilities in the period from August 2018 to October 2018 was about HK\$5,551,000 per month.</p> <p>The car parking spaces were licensed on monthly or hourly basis. The average car park income received in the period from July 2018 to October 2018 was about HK\$1,379,000 per month.</p>	<p>HK\$12,143,000,000</p> <p>(HONG KONG DOLLARS TWELVE BILLION ONE HUNDRED AND FORTY THREE MILLION)</p> <p>(100% interest attributable to the Group: HK\$12,143,000,000)</p>

Notes:

- (1) The registered owner of the property is International Trademart Company Limited which is a wholly-owned subsidiary of the Company.
- (2) The property comprises 4 modification letters vide Memorial Nos. UB4240050, UB4922357, UB9476552 and 17020100540022 dated 24 October 1989, 23 July 1991, 20 January 2005 and 10 January 2017 respectively.
- (3) The property is zoned for "Other Specified Uses (Trade Mart and Commercial Development)" use under Kai Tak Outline Zoning Plan No. S/K22/6.

- (4) In valuing the property, we have assumed unit rents from about HK\$12 per sq.ft. to HK\$30 per sq.ft. for retail portion and from about HK\$20 per sq.ft. to HK\$24 per sq.ft. for office portion. We have assumed capitalisation rate from 3.5% to 4% for retail portion and 3.25% for office portion.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$6 per sq.ft. to HK\$52 per sq.ft.. The monthly rent of office premises fall in the range from about HK\$17 per sq.ft. to HK\$24 per sq.ft.. We have gathered and analysed various recent sales transactions of shops and offices and noted that the yield implied in those transactions are generally within the range from about 2.4% to 4% for retail premises and from about 2.3% to 4% for office premises. The above market rents assumed by us are consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time. The capitalisation rates adopted are reasonable having regard to the analysed yields.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
4. QRE Plaza, No. 202 Queen's Road East, Wan Chai, Hong Kong.	The property comprises a 25-storey commercial building. The property was completed in 2007.	As at the Valuation Date, except for a total area of approximately 3,292 sq.ft. (305.83 sq.m.) which was vacant, the shops and offices were let to various tenants for terms of mostly 2 years to 4 years with the latest tenancy due to expire in October 2021 at a total rent of about HK\$3,440,000 per month, exclusive of rates, management fees and air-conditioning charges.	HK\$1,503,000,000 (HONG KONG DOLLARS ONE BILLION FIVE HUNDRED AND THREE MILLION) (100% interest attributable to the Group: HK\$1,503,000,000)
The Remaining Portion of Inland Lot No. 7781.	The total gross floor area of the property is approximately 77,033 sq.ft. (7,156.54 sq.m.). The locality of the property is characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 978 years commencing on 25 June 1863. The government rent payable for the lot is HK\$96 per annum.		

Notes:

- (1) The registered owner of the property is QRE Plaza Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is subject to a Deed of Dedication vide Memorial No. 07110901900021 dated 6 November 2007.
- (3) The property is subject to two Modification Letters by the District Lands Office/Hong Kong East vide Memorial Nos. 07110901900034 and 08040202600019 dated 6 November 2007 and 1 April 2008 respectively.
- (4) The property is subject to a Licence for Offensive Trades vide Memorial No. 09070300640192 dated 23 June 2009.
- (5) The property is zoned for "Commercial (3)" use under Wan Chai Outline Zoning Plan No. S/H5/28.
- (6) In valuing the property, we have assumed unit rents from about HK\$65 per sq.ft. to HK\$230 per sq.ft. for retail portion and from about HK\$43 per sq.ft. to HK\$48 per sq.ft. for office portion. We have assumed capitalisation rate from 3.5% to 3.75% for retail portion and 3.125% for office portion.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$18 per sq.ft. to HK\$253 per sq.ft.. The monthly rent of office premises fall in the range from about HK\$34 per sq.ft. to HK\$60 per sq.ft. We have gathered and analysed various recent sales transactions of shops and offices and noted that the yield implied in those transactions are generally within the range from about 2.3% to 3.5% for retail premises and from about 2.3% to 4% for office premises. The above market rents assumed by us and the capitalisation rates adopted are consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
5. Commercial Units G03 and G04 on Ground Floor, Commercial Units 201, 202 and Restaurant on 2nd Floor, Wu Chung House, No. 213 Queen's Road East, Wan Chai, Hong Kong. 1641/80110th shares of and in Inland Lot No. 8766.	<p>The property comprises various retail units on ground and 2nd floors of a 38-storey commercial building. The ground and 2nd floors of the building are designated for retail purpose. Its 3rd to 6th floors are designated for car parking spaces and its upper floors accommodate office units. The building was completed in 1993.</p> <p>The total gross floor area of the property is approximately 17,674 sq.ft. (1,641.95 sq.m.).</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Conditions of Exchange No. UB12210 from 25 May 1992 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>	As at the Valuation Date, the property was let to various tenants for terms of mostly 2 to 6 years with the latest tenancy due to expire in July 2021 at a total rent of about HK\$1,660,000 per month, exclusive of rates, management fees and air-conditioning charges.	<p>HK\$517,000,000</p> <p>(HONG KONG DOLLARS FIVE HUNDRED AND SEVENTEEN MILLION)</p> <p>(100% interest attributable to the Group: HK\$517,000,000)</p>

Notes:

- (1) The registered owner of the property is Procelain Properties Ltd which is a wholly-owned subsidiary of the Company.
- (2) The property is zoned for "Commercial (1)" use under Wan Chai Outline Zoning Plan No. S/H5/28.
- (3) In valuing the property, we have assumed unit rents from about HK\$68 per sq.ft. to HK\$122 per sq.ft. for the retail premises and have assumed capitalisation rate from 3.5% to 3.75%.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$18 per sq.ft. to HK\$253 per sq.ft. We have gathered and analysed various recent sales transactions of shops and noted that the yield implied in those transactions are generally within the range from about 2.3% to 3.5% for retail premises. The above market rents assumed by us and the capitalisation rates adopted are consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
6. 10 Lorry Parking Spaces on the 3rd Floor, 39 Car Parking Spaces on the 4th Floor and 31 Car Parking Spaces on the 5th Floor and the Remaining Portion of Reserved Areas, Wu Chung House, No. 213 Queen's Road East, Wan Chai, Hong Kong. 858/80110th shares of and in Inland Lot No. 8766.	The property comprises 10 lorry parking spaces on the 3rd floor, 39 private car parking spaces on the 4th floor and 31 private car parking spaces on the 5th floor and the remaining portion of reserved areas in a 38-storey commercial building. The ground and 2nd floors of the building are designated for retail purpose. Its 3rd to 6th floors are designated for car parking spaces and its upper floors accommodate office units. The building was completed in 1993. The locality of the property is characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under Conditions of Exchange No. UB12210 from 25 May 1992 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.	As at the Valuation Date, the car parking spaces were licensed on monthly or hourly basis. The average car park income received in the period from July 2018 to October 2018 was about HK\$541,000 per month. The reserved areas were subject to various licences at a total monthly licence fee of about HK\$28,700.	HK\$167,800,000 (HONG KONG DOLLARS ONE HUNDRED SIXTY SEVEN MILLION AND EIGHT HUNDRED THOUSAND) (100% interest attributable to the Group: HK\$167,800,000)

Notes:

- (1) The property comprises the followings:

Lorry parking space	Lorry parking spaces nos. L1 to L3, 1 to 4 and 8 to 10 on the 3rd Floor.
Car parking spaces	Car parks nos. 1 to 39 on the 4th Floor and Car parks nos. 1 to 12 and 21 to 39 on the 5th Floor.

- (2) The registered owner of the property is Procelain Properties Ltd which is a wholly-owned subsidiary of the Company.
- (3) The property is zoned for "Commercial (1)" use under Wan Chai Outline Zoning Plan No. S/H5/28.
- (4) In valuing the property, we have assumed unit rents of about HK\$5,800 per private car parking space and about HK\$7,300 per lorry parking space and have assumed a capitalisation rate of 3.5%.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of private car parking spaces fall in the range from about HK\$3,500 to HK\$6,000 per private car parking space and about HK\$6,000 to HK\$10,000 per lorry car parking space. We have gathered and analysed various recent sales transactions of car parking spaces and noted that the yield implied in those transactions are generally within the range from about 2.3% to 3.5% for car parking spaces. The above market rents assumed by us are consistent with the relevant comparables after due adjustments location, accessibility and time. The capitalisation rate adopted is reasonable having regard to the analysed yields.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018												
7. GardenEast, No. 222 Queen's Road East, Wan Chai, Hong Kong.	The property comprises a 28-storey composite building. Its ground and 2nd floors are devoted to commercial purpose, the 3rd and 5th floors are devoted to podium garden/residents' recreation facilities and the remainder of the property is currently operated as serviced apartment. The building was completed in 2008.	As at the Valuation Date, except for a total area of approximately 4,591 sq.ft. (426.51 sq.m.) which was vacant, the property was let to various tenants on monthly basis or for longer terms of mostly 6 months to 3 years with the latest lease due to expire in May 2021 at a total rent of about HK\$6,920,000 per month, mostly inclusive of rates, management fees, air-conditioning charges and other outgoings.	HK\$2,063,000,000 (HONG KONG DOLLARS TWO BILLION AND SIXTY THREE MILLION) (100% interest attributable to the Group: HK\$2,063,000,000)												
The Remaining Portion of Sub-section 2 of Section C, the Remaining Portion of Section C, Sub-section 1 of Section D, the Remaining Portion of Section D, Section G of Inland Lot No. 427.	The property has a total gross floor area of approximately 96,576 sq.ft. (8,972.13 sq.m.). The locality of the property is characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under a Government Lease for a term of 999 years from 29 July 1855. The government rent payable for the lots are as follows:														
	<table border="1"> <thead> <tr> <th>Lots</th> <th>Government rent (HK\$ per annum)</th> </tr> </thead> <tbody> <tr> <td>IL 427 s.C ss.2</td> <td>26</td> </tr> <tr> <td>IL 427 s.C. R.P.</td> <td>122</td> </tr> <tr> <td>IL 427 s.D. ss.1</td> <td>14</td> </tr> <tr> <td>IL 427 s.D R.P.</td> <td>14</td> </tr> <tr> <td>IL 427 s.G</td> <td>54</td> </tr> </tbody> </table>	Lots	Government rent (HK\$ per annum)	IL 427 s.C ss.2	26	IL 427 s.C. R.P.	122	IL 427 s.D. ss.1	14	IL 427 s.D R.P.	14	IL 427 s.G	54		
Lots	Government rent (HK\$ per annum)														
IL 427 s.C ss.2	26														
IL 427 s.C. R.P.	122														
IL 427 s.D. ss.1	14														
IL 427 s.D R.P.	14														
IL 427 s.G	54														

Notes:

- (1) The registered owner of the property is GardenEast Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is subject to an Offensive Trade Licence vide Memorial No. 12031201060011 dated 3 August 2010.
- (3) The property is zoned for "Residential (Group A)" and "Open Space" uses under Wan Chai Outline Zoning Plan No. S/H5/28.

- (4) In valuing the property, we have assumed unit rents from about HK\$60 per sq.ft. to HK\$95 per sq.ft. for retail portion and from about HK\$42.5 per sq.ft. to HK\$48 per sq.ft. for serviced apartment portion. We have assumed capitalisation rate from 3.5% to 4% for retail portion and 3% for serviced apartment portion.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$18 per sq.ft. to HK\$253 per sq.ft.. The monthly rent of serviced apartment premises fall in the range from about HK\$41 per sq.ft. to HK\$57 per sq.ft.. We have gathered and analysed various recent sales transactions of shops and serviced apartment and noted that the yield implied in those transactions are generally within the range from about 2.3% to 3.5% for retail premises and from about 2.4% to 3.3% for serviced apartment premises. The above market rents assumed by us and the capitalisation rates adopted are consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time.

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

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
8. Hopewell Centre II, Kennedy Road, Wan Chai, Hong Kong. Inland Lot No. 8715.	The property comprises a piece of land with a registered site area of about 105,918 sq.ft. (9,840 sq.m.) upon which a 52-storey conference hotel building is proposed to be developed. Upon completion, the property will comprise a shopping mall and a block of hotel. The hotel will provide 1,024 guestrooms. The property is scheduled to be completed in 2021.	As at the Valuation Date, site formation and foundation works were in progress.	HK\$9,402,000,000 (HONG KONG DOLLARS NINE BILLION FOUR HUNDRED AND TWO MILLION) (100% interest attributable to the Group: HK\$9,402,000,000)
	According to the building plans provided by the Group, upon completion, the total gross floor area of the property will be approximately 1,094,342 sq.ft. (101,666.84 sq.m.). The property will also provide 168 private car parking spaces and 14 motor cycle spaces.		
	The locality of the property is characterized by a mixture of commercial and residential developments of various ages.		
	The property is held from the Government under Conditions of Exchange No. 20175 for a term of 50 years from 24 October 2012. 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.		

Notes:

- (1) The registered owner of the Property is Wetherall Investments Limited which is a wholly-owned subsidiary of the Company.

- (2) The use and development of the property are principally governed by the Conditions of Exchange No. 20175. The whole of the documents should be noted but the following conditions are of particular relevance:-

Special Conditions

- (13) The Grantee shall develop the lot by the erection thereon of a building or buildings complying in all respects with these Conditions and all Ordinances such building or buildings to be completed and made fit for occupation on or before 31st day of December 2019.
- (14) The lot or any part thereof or any building or buildings erected or to be erected shall not be used for any purpose other than for non-industrial (excluding residential and godown) purposes.
- (17) (c) (i) the total gross floor area of any building or buildings erected or to be erected on the lot shall not be less than 61,001 square metres and shall not exceed 101,667 square metres;
- (ii) out of the total gross floor area stipulated in sub-clause (c)(i) of this Special Condition.
- (I) the total gross floor area of any building or buildings erected or to be erected on the lot for hotel guest room use shall not be less than 32,822 square metres and shall not exceed 54,702 square metres; and
- (II) the total gross floor area of any building or buildings erected or to be erected on the lot for non-industrial (excluding residential, godown and hotel guest room) purposes shall not be less than 28,179 square metres and shall not exceed 46,965 square metres;
- (d) no part or any building or other structure erected or to be erected on the lot together with any addition or fitting (if any) to such building or structure may in the aggregate exceed a height of 210 metres above the Hong Kong Principal Datum.....
- (e) (i) any building or buildings erected or to be erected on the lot shall not exceed 55 storeys including any floor or space below the level of the ground;
- (20) (a) If the lot is developed, redeveloped, used or intended to be used at any time solely for the purpose of a hotel or hotels, the Grantee shall not, throughout the term hereby agreed to be granted, assign, mortgage, charge, underlet, part with the possession of or otherwise dispose of the lot or any part thereof or any interest therein or any building or part of any building hereon, or grant any licence or right whatsoever to use or occupy or to have possession of the lot or any part thereof or any building or part of any building thereon or enter into any agreement so to do except as a whole
- (3) The property is subject to a Deed of Grant of Right of Way vide Memorial No. 12110702320022 dated 24 October 2012.
- (4) The property is subject to a waiver letter from the Chief Executive of the HKSAR by the District Lands Officer/ Hong Kong East vide Memorial No. 16061602260035 dated 3rd May 2016.
- (5) The gross development value of the property as if completed as at 30 November 2018 was approximately HK\$17,910,000,000.
- (6) As advised by the Group, the total estimated construction cost for development of the property is about HK\$5,700,000,000 and the construction cost (excluding the land cost) expended as at 30 November 2018 was approximately HK\$630,000,000. We have taken into account the said construction costs in the course of our valuation.

- (7) As mentioned in Note (2), Special Conditions No. 13 of the Conditions of Exchange No. 20175 stated that “..... building or buildings to be completed and made fit for occupation on or before 31 December 2019”. However, according to the latest estimation by the Group, the proposed development will only be completed by 2021 which is beyond the aforesaid completion date prescribed in the said Conditions of Exchange. The Group is applying for extension of such building covenant. According to the Practice Note (Issue No. 5/2003) from the Lands Department, it mentioned that Building Covenant Extension may be granted on valid ground, such extensions will normally be granted subject to the imposition of a premium. In the course of our valuation, we have assumed that the application for building covenant extension will be approved subject to payment of premium to the Government for such extension.
- (8) The property is zoned for “Other Specified Uses (Comprehensive Redevelopment Area)” use under Wan Chai Outline Zoning Plan No. S/H5/28.

Group III – Properties held by the Group for future development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
9. 153, 153A, 155, 157, 159, 161, 163, 165 and 167 Queen's Road East, Wan Chai, Hong Kong. Inland Lot Nos. 5251, 5252, 5253, 5257, 7975, 5657, 5658 and the Remaining Portion of Inland Lot No. 5256.	<p>The property comprises 8 lots with a total registered site area of about 6,703 sq.ft. (622.72 sq.m.).</p> <p>The property under the recent statutory control for residential/commercial development with an estimated total gross floor area of about 90,506 sq.ft. (8,408.21 sq.m.). Building plans for development of No. 155-167 have been approved.</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under 7 Government leases (Re: IL 5251, IL 5252, IL 5253, IL 5256 RP, IL 5257, IL 5657 and IL 5658) and a Conditions of Exchange No. 8576 (Re: IL 7975). The current Government rent payable for the lots are HK\$96 per annum.</p>	As at the Valuation Date, demolition works were completed.	<p>HK\$1,141,000,000</p> <p>(HONG KONG DOLLARS ONE BILLION ONE HUNDRED AND FORTY ONE MILLION)</p> <p>(100% interest attributable to the Group: HK\$1,141,000,000)</p>

Notes:

- (1) The registered owner is Eldridge Investments Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is zoned for "Residential (Group A)" use under Wan Chai Outline Zoning Plan No. S/H5/28. As at the Valuation Date, 155-167 Queen's Road Central has obtained planning permission from the Town Planning Board to develop as office, eating place, shop and services uses.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018																		
10. 55 Ship Street, 1A and 1-3 Hill Side Terrace, Wan Chai, Hong Kong.	The property comprises 5 lots with a total registered site area of about 19,223 sq.ft. (1,785.86 sq.m.).	As at the Valuation Date, the property was vacant.	HK\$560,000,000																		
Inland Lot Nos. 1564, 1669, 1940, 2140 and 2272 and the Extension thereto.	<p>The property comprises a vacant four-storey school building, a two storey house, Nam Koo Terrace and 3 vacant sites.</p> <p>The property has a total gross floor area of approximately 23,039 sq.ft. (2,140.4 sq.m.).</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under the 5 Government leases. The respective lease term and Government rent for the lots are as follows:–</p>		<p>(HONG KONG DOLLARS FIVE HUNDRED AND SIXTY MILLION)</p> <p>(100% interest attributable to the Group: HK\$560,000,000)</p>																		
	<table border="1"> <thead> <tr> <th>Lot No.</th> <th>Lease Term</th> <th>Government Rent per annum</th> </tr> </thead> <tbody> <tr> <td>IL 1564</td> <td>75 years from 18 September 1899 renewable for 75 years</td> <td>HK\$198</td> </tr> <tr> <td>IL 1669</td> <td>75 years from 18 September 1899 renewable for 75 years</td> <td>HK\$100</td> </tr> <tr> <td>IL 1940</td> <td>75 years from 10 February 1913 renewable for 75 years</td> <td>HK\$16,560</td> </tr> <tr> <td>IL 2140</td> <td>75 years from 4 October 1915 renewable for 75 years</td> <td>HK\$6,120</td> </tr> <tr> <td>IL 2272</td> <td>75 years from 18 September 1899 renewable for 75 years</td> <td>HK\$302</td> </tr> </tbody> </table>	Lot No.	Lease Term	Government Rent per annum	IL 1564	75 years from 18 September 1899 renewable for 75 years	HK\$198	IL 1669	75 years from 18 September 1899 renewable for 75 years	HK\$100	IL 1940	75 years from 10 February 1913 renewable for 75 years	HK\$16,560	IL 2140	75 years from 4 October 1915 renewable for 75 years	HK\$6,120	IL 2272	75 years from 18 September 1899 renewable for 75 years	HK\$302		
Lot No.	Lease Term	Government Rent per annum																			
IL 1564	75 years from 18 September 1899 renewable for 75 years	HK\$198																			
IL 1669	75 years from 18 September 1899 renewable for 75 years	HK\$100																			
IL 1940	75 years from 10 February 1913 renewable for 75 years	HK\$16,560																			
IL 2140	75 years from 4 October 1915 renewable for 75 years	HK\$6,120																			
IL 2272	75 years from 18 September 1899 renewable for 75 years	HK\$302																			

Notes:

- (1) The registered owner of the property is Yuba Company Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is zoned for “Open Space” use under Wan Chai Outline Zoning Plan No. S/H5/28.
- (3) The use and development of the site are principally governed by the conditions stipulated in the Government Leases of Inland Lot Nos. 1564, 1669, 1940, 2140 and 2272 which are virtually unrestrictive except that the development in Inland Lot No. 2140 have a maximum height limit of 35 feet.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
11. 53 Ship Street and 1-5 Schooner Street, Wan Chai, Hong Kong.	The property comprises a lot with a registered site area of about 3,681 sq.ft. (341.97 sq.m.).	As at the Valuation Date, except 3 units with area of about 1,490 sq.ft. (138.42 sq.m.) were let to three tenants for terms of 1 year to 3 years with the latest tenancy due to expire in September 2019 at a total monthly rent of about HK\$64,500, the property was vacant.	HK\$267,000,000
The Remaining Portion of Section A and the Remaining Portion of Inland Lot No. 2093.	The property comprises a 6-storey (excluding the upper part of ground floor) tenement building completed in 1977.		(HONG KONG DOLLARS TWO HUNDRED AND SIXTY SEVEN MILLION)
	The total saleable area of the property is approximately 12,834 sq.ft. (1,192.31 sq.m.).		(100% interest attributable to the Group: HK\$267,000,000)
	The locality of the property is characterized by a mixture of commercial and residential developments of various ages.		
	The property is held from the Government under a Government Lease for a term of 75 years from 19 October 1914 renewable for 75 years. The current Government rent payable for the property is HK\$29,932 per annum.		

Notes:

- (1) The registered owner of the property is All Step Development Limited which is a wholly-owned subsidiary of the Company.
- (2) G/F, No. 1 Schooner Street is subject to an Order No. C/TB/003312/06/HK and a Superseding Order No. C/TB/001965/17/HK issued by the Building Authority both under Section 24(1) of the Buildings Ordinance vide Memorial Nos. 07033000420070 and 17081000560124 dated 9 February 2007 and 20 July 2017 respectively regarding certain building works at the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (3) G/F, No. 5 Schooner Street is subject to Notice No. WNZ/U08-31/0001/08 issued by the Building Authority under Section 24C(1) of the Buildings Ordinance vide Memorial No. 10031900760442 dated 13 October 2009 regarding certain building works at the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (4) Flat B, 1/F is subject to a Notice No. WC/TB01253/08/HK-N05W issued by the Building Authority under Section 24C(1) of the Buildings Ordinance vide Memorial No. 08092400810098 dated 9 May 2008 regarding certain structure over the flat roof of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.

- (5) Flat C, 1/F is subject to a Notice No. WC/TB01255/08/HK-N05W issued by the Building Authority under Section 24C(1) of the Buildings Ordinance vide Memorial No. 08092400810107 dated 9 May 2008 regarding certain structure over the flat roof of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (6) Flat D, 1/F is subject to a Notice No. WC/TB01258/08/HK-N05W issued by the Building Authority under Section 24C(1) of the Buildings Ordinance vide Memorial No. 08092400810116 dated 9 May 2008 regarding certain structure over the flat roof of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (7) Flat E, 1/F is subject to a Notice No. WC/TB01259/08/HK-N05W issued by the Building Authority under Section 24C(1) of the Buildings Ordinance vide Memorial No. 08092400810124 dated 9 May 2008 regarding certain structure over the flat roof of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (8) Flat F, 1/F is subject to a Notice No. WC/TB01260/08/HK-N05W issued by the Building Authority under Section 24C(1) of the Buildings Ordinance vide Memorial No. 08092400810134 dated 9 May 2008 regarding certain structure over the flat roof of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (9) Flat E, 2/F is subject to an Order No. UBZ/U08-31/0004/08 issued by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 10011200340109 dated 22 May 2009 regarding certain structure at the external wall of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (10) Flat E, 3/F is subject to an Order No. UBZ/U08-31/0005/08 issued by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 10010701880189 dated 22 May 2009 regarding a canopy at the external wall of the property. According to the information from the Group, the cost for such remedial work will be less than HK\$50,000 which is immaterial to the value of the property. In the course of our valuation, we have disregarded such remedial costs for compliance of the said Order.
- (11) The property is zoned for “Residential (Group C)” use under Wan Chai Outline Zoning Plan No. S/H5/28. The zone with a maximum plot ratio of 5.0, and a maximum building height of 12 storeys, or the plot ratio and height of the existing building, whichever is the greater.
- (12) The use and development of the site are principally governed by the conditions stipulated in the Government Lease of Inland Lot No. 2093 which is virtually unrestrictive.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
12. Inland Lot No. 9048, Schooner Street, Wan Chai, Hong Kong.	The property comprises a lot with a registered site area of about 2,906 sq.ft. (269.97 sq.m.) upon which an	As at the Valuation Date, the property was vacant.	HK\$200,000,000
Inland Lot No. 9048.	11-storey residential building is proposed to be developed.		(HONG KONG DOLLARS TWO HUNDRED MILLION)
	According to the building plans provided by the Group, upon completion, the total gross floor area of the property will be approximately 14,531 sq.ft. (1,364.398 sq.m.).		(100% interest attributable to the Group: HK\$200,000,000)
	The locality of the property is characterized by a mixture of commercial and residential developments of various ages.		
	The property is held from the Government under Conditions of Sale No. 20228 for a term of 50 years from 2 July 2014. 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.		

Notes:

- (1) The registered owner of the property is Kingline Enterprises Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is zoned for "Residential (Group C)" use under Wan Chai Outline Zoning Plan No. S/H5/28.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018																	
13. 11 domestic units, 7 office units, 8 shop units in 10 locations in Wan Chai, Hong Kong Island.	The property comprises a total of 26 units which consist of 11 domestic units, 7 office units, 8 shop units in 10 locations of Hong Kong Island. The saleable area of the properties are as follows:-	As at the Valuation Date, an area of about 6,601 sq.ft. was vacant, the remaining units were let on monthly basis/short term leases under various tenancies.	HK\$379,800,000 (HONG KONG DOLLARS THREE HUNDRED SEVENTY NINE MILLION AND EIGHT HUNDRED THOUSAND)																	
	<table border="1"> <thead> <tr> <th rowspan="2">Usages</th> <th colspan="2">Saleable Area</th> </tr> <tr> <th>sq.ft.</th> <th>sq.m.</th> </tr> </thead> <tbody> <tr> <td>Domestic</td> <td>4,540</td> <td>421.78</td> </tr> <tr> <td>Office</td> <td>6,787</td> <td>630.53</td> </tr> <tr> <td>Shop</td> <td><u>5,360</u></td> <td><u>497.96</u></td> </tr> <tr> <td>Total:</td> <td><u>16,687</u></td> <td><u>1,550.27</u></td> </tr> </tbody> </table>	Usages	Saleable Area		sq.ft.	sq.m.	Domestic	4,540	421.78	Office	6,787	630.53	Shop	<u>5,360</u>	<u>497.96</u>	Total:	<u>16,687</u>	<u>1,550.27</u>		(100% interest attributable to the Group: HK\$379,800,000)
Usages	Saleable Area																			
	sq.ft.	sq.m.																		
Domestic	4,540	421.78																		
Office	6,787	630.53																		
Shop	<u>5,360</u>	<u>497.96</u>																		
Total:	<u>16,687</u>	<u>1,550.27</u>																		

The locality of the property is characterized by a mixture of commercial and residential developments of various ages.

The property is held from Government under various terms.

Group IV – Property held and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
14. Hotel Portion, Panda Hotel, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories. Situated within Tsuen Wan Town Lot No. 312.	<p>The property comprises the hotel portion of a 33-storey (including a 3-level basement) hotel/commercial complex completed in 1991. The hotel accommodates 911 guest rooms. Facilities such as swimming pool, gymnasium, function rooms, bars, Chinese and Western restaurants, coffee shop and business centre etc. are provided within the hotel.</p> <p>The total gross floor area of the property is approximately 424,717 sq.ft. (39,457.17 sq.m.).</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under New Grant No. 6598 for a term of 99 years less the last 3 days 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>	As at the Valuation Date, the property was operated and managed by the Group as a licensed hotel.	<p>HK\$3,285,000,000</p> <p>(HONG KONG DOLLARS THREE BILLION TWO HUNDRED AND EIGHTY FIVE MILLION)</p> <p>(100% interest attributable to the Group: HK\$3,285,000,000)</p>

Notes:

- (1) The registered owner of the property is Kowloon Panda Hotel Limited which is a wholly-owned subsidiary of the Company.
- (2) The property is subject to two Modification Letters vide Memorial Nos. TW651459 and TW869607 dated 20 March 1990 and 30 November 1992 respectively.
- (3) The property is granted with a Hotel Licence No. H/0981 for a period from 1 September 2018 to 31 August 2021 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (4) The property is zoned for “Residential (A)” use under Tsuen Wan Outline Zoning Plan No. S/TW/33.

Group V – Property occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
15. Sub-section 1 of Section G of Tai Po Town Lot No. 1, 6-8 Dai Fat Street, Tai Po, New Territories.	The property comprises a 5-storey factory building completed in 1986.	As at the Valuation Date, the property was occupied by the Group for office and workshop uses.	HK\$1,480,000
Section G of Tai Po Town Lot No. 1 and the Extension thereto.	The property has a total gross floor area of approximately 217,628 sq.ft. (20,218.15 sq.m.). It is erected on a site with a registered site area of 89,188 sq.ft. (8,285.8 sq.m.). 1 container parking space, 28 lorry parking spaces, 30 private car parking spaces are provided in the property.		(HONG KONG DOLLARS ONE MILLION FOUR HUNDRED AND EIGHTY THOUSAND)
			(100% interest attributable to the Group: HK\$1,480,000)
			(see Note (3))
	The property is located in Tai Po Industrial Estate in Tai Po. The surrounded area comprises industrial developments.		
	The land portion of the property is leased by the company from Hong Kong Industrial Estate Corporation (the “Corporation”) (now known as Hong Kong Science and Technology Parks Corporation) for a term from 18 September 1980 to 27 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The Lease made between Hong Kong Industrial Estates Corporation (the “Corporation”) (now known as Hong Kong Science and Technology Parks Corporation) and Hopewell Slipform Engineering Limited which is a wholly-owned subsidiary of the Company (the “Lessee”) restricts assignment of the property by the Lessee. In the event that the Lessee is desirous of assigning the property at any time during the term of the Lease, the Lessee shall first offer to surrender its interest free from encumbrances and with vacant possession to the Corporation at a consideration calculated in accordance with a prescribed formula set out in the Lease. In the event that the offer is not accepted by the Corporation within a period of six weeks, it shall be deemed to have been rejected and the Lessee may thereafter dispose of the property by way of assignment subject to certain conditions.

- (2) Whereas, if the Corporation accepts the surrender of the property offered by the Lessee, the consideration payable by the Corporation as provided in the Lease will be the lesser of either of Clause (11)(b)(i) (A) or (B) of the Lease extracted as follows:-

(11)(b)(i) (A) The total of the following two amounts reduced by ten percent:

- (I) in respect of the said land, a sum equivalent to the fraction of $1/t$ (one over "t") of eighty percent (80%) of the premium referred to in the Particulars of the Land multiplied by the number of complete years in the portion of the term hereby demised unexpired at the date of completion of the surrender and for the purposes of this sub-paragraph and also sub-paragraph (d)(iii) hereunder the symbol "t" means or represents the number of complete year or years and any fraction thereof, comprised in the period from the commencement date to the 27th day of June 2047, which fraction of a year shall be deemed to be a complete year, and
- (II) in respect of any building (including any fixtures and fittings therein) constructed or erected in accordance with the provisions of the said Agreement for Lease or this Lease, the replacement cost thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined in the manner provided by the First Schedule hereto and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof on the said replacement cost from the date of the occupation permit or temporary occupation permit (whichever shall be the earlier) for the first building on the said land or, in the event of redevelopment whereby all the building(s) on the said land has been replaced by new building(s), the first new building on the said land pursuant to such redevelopment.

or

- (B) in respect of both such land and such building (including any fixtures and fittings) therein, the market value thereof as at the date of the Corporation's acceptance of the surrender (if accepted), to be determined in the manner provided by the First Schedule hereto but reduced by ten percent.
- (3) In undertaking our valuation, we have taken into account the restriction on assignment of the property as described in Note (1) and the prescribed formula for calculation of consideration for surrender of the property to the Corporation as stated in Note (2). Our valuation is based on the amount of consideration for surrender of the property to corporation as at the Valuation Date.
- (4) The property is zoned for "Other Specified Uses (Industrial Estate)" use under Tai Po Outline Zoning Plan No. S/TP/28.

Group VI – Properties held by joint venture/associate of the Company in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
16. Commercial Accommodation (excluding Turnaround and Lay-by Area, Pavement and Public Open Space) together with ancillary car-parking facilities on Site A Phase 2, The Avenue, 200 Queen's Road East Wan Chai, Hong Kong. 5272/36306th shares of and in Inland Lot No. 9018.	<p>The property comprises all the commercial units on basement 1, ground floor and 1st floor and 59 car parking spaces on basements 2 and 3 within Site A Phase 2 of The Avenue. The Avenue (developed in 2 phases) comprises a total of 4 residential towers erected upon two separate common podia. The property was completed in 2015.</p> <p>The property has a total lettable floor area of approximately 94,034 sq.ft. (8,735.97 sq.m.).</p> <p>The locality of the property is characterized by a mixture of commercial and residential developments of various ages.</p> <p>The property is held from the Government under Condition of Exchange No. 20099 for a term of 50 years from 25 February 2010. 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, except a total area of approximately 13,063 sq.ft. (1,213.58 sq.m.) which was vacant, the commercial units were let to various tenants for terms of mostly 1 to 5 years with the latest tenancy due to expire in 7 October 2023 at a total rent of about HK\$4,770,000 per month, exclusive of rates, management fees and air-conditioning charges.</p> <p>The car parking spaces were licensed on hourly basis. The average car park income received in the period from July 2018 to October 2018 was about HK\$146,000 per month.</p>	<p>HK\$2,816,000,000</p> <p>(HONG KONG DOLLARS TWO BILLION EIGHT HUNDRED AND SIXTEEN MILLION)</p> <p>(30% interest attributable to the Group: HK\$844,800,000)</p>

Notes:

- (1) The registered owner of the property is Urban Renewal Authority. As advised by the Group, the Property is subject to a development agreement between Urban Renewal Authority and Grand Site Development Limited. Grand Site Development Limited is a joint venture company of the Company and has 60% interest of this property. The Company has 50% interest of this joint venture company.
- (2) The property is zoned for "Land Development Corporation Development Scheme Plan Area (for zoning of this area, refer to Land Development Corporation Lee Tung Street & McGregor Street Development Scheme Plan)" use under Wan Chai Outline Zoning Plan No. S/H5/28.
- (3) In valuing the property, we have assumed unit rents from about HK\$23 per sq.ft. to HK\$110 per sq.ft. for the retail premises and have assumed a capitalisation rate of 2.5%.

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighbouring districts. The monthly rent of retail premises fall in the range from about HK\$18 per sq.ft. to HK\$130 per sq.ft.. We have gathered and analysed various recent sales transactions of shops and noted that the yield implied in those transactions of are generally within the range from about 2.3% to 3.5% for retail premises. The above market rents assumed by us are consistent with the relevant comparables after due adjustments including location, accessibility, age and time. The capitalisation rate adopted is reasonable having regard to the analysed yields.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
17. Residential Car Parking Spaces Nos. R09, R45 and R110, The Avenue, 200 Queen's Road East Wan Chai, Hong Kong.	The property comprises 3 car parking spaces on Basement 5 of Site A of The Avenue. The Avenue (developed in 2 phases) comprises a total of 4 residential towers erected upon two separate common podia. The property was completed in 2015.	As at the Valuation Date, the property was vacant.	HK\$9,000,000 (HONG KONG DOLLARS NINE MILLION)
24/36306th shares of and in Inland Lot No. 9018.	The locality of the property is characterized by a mixture of commercial and residential developments of various ages. The property is held from the Government under Condition of Exchange No. 20099 for a term of 50 years from 25 February 2010. 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.		(25% interest attributable to the Group: HK\$2,250,000)

Notes:

- (1) The registered owner of the property is Urban Renewal Authority. As advised by the Group, the Property is subject to a development agreement between Urban Renewal Authority and Grand Site Development Limited. Grand Site Development Limited is a joint venture company of the Company and has 50% interest of this property. The Company has 50% interest of this joint venture company.
- (2) The property is zoned for "Land Development Corporation Development Scheme Plan Area (for zoning of this area, refer to Land Development Corporation Lee Tung Street & McGregor Street Development Scheme Plan)" use under Wan Chai Outline Zoning Plan No. S/H5/28.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
18. Car Parks Nos. 1 to 12, 53 to 59 and 65 to 78 on 5th Floor together with adjoining spaces, if any, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. 132/33888th shares of and in Inland Lot No. 8517.	<p>The property comprises 33 car parks on the 5th floor of Shun Tak Centre which is a commercial complex consisting of two office blocks built over a 7-storey commercial/car parking podium and a basement level completed in 1986.</p> <p>The locality of the property is well served by public transport and is characterised as an office location.</p> <p>The property is held from the Government under Conditions of Grant No. UB11612 for a term of 75 years from 31 December 1980 renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$1,000 per annum.</p>	As at the Valuation Date, the car parking spaces were licensed on monthly and hourly basis and the average received in the period from July 2018 to October 2018 was about HK\$490,000 per month.	<p>HK\$89,000,000</p> <p>(HONG KONG DOLLARS EIGHTY NINE MILLION)</p> <p>(45.95% interest attributable to the Group: HK\$40,895,500)</p>

Notes:

- (1) The registered owner of the property is Granlai Company Limited which is an associate company of the Company and the Company has 45.95% interest of this associate company.
- (2) The property is zoned for "Commercial" use under Central District Outline Zoning Plan No. S/H4/16.

Group VII – Completed property held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
19. The unsold portions of Phases 1A, 1B, 2, 3, 4A and 4B, Hopewell New Town held for sale, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市花都區新華鎮迎賓大道南側“合和新城”供銷售的1A期、1B期、2期、3期、4A期及4B期之未售部分)	The property comprises various residential units, retail units and car parking spaces of a comprehensive development and was completed in between 2008 and 2016. The property has a total gross floor area of 33,208.73 sq.m. with details as follows:– Use Residential (3 units) Retail Car parking space (1,175 lots) Total:	As at the Valuation Date, the residential units were vacant. The retail units were subject to various tenancies with the latest expiry in February 2026 at a total monthly rent of RMB361,000 (inclusive of tax, but exclusive of management fee and other outgoings). The car parking spaces were let on short term basis.	RMB547,000,000 (RENMINBI FIVE HUNDRED AND FORTY SEVEN MILLION) <i>(equivalent to HK\$614,828,000)</i> <i>(95% interest attributable to the Group: RMB519,650,000)</i> <i>(equivalent to HK\$584,086,600)</i>

The property is situated at Xinhua Town, Huadu District, which is predominantly a residential area. Developments in the vicinity comprise mainly residential developments such as Haoli Garden (豪利花園) and Duhu Guoji (都湖國際), etc.

The land use rights of the property have been granted for terms due to expire on 10 December 2073, 26 September 2072 and 11 September 2073 respectively for residential use, due to expire on 10 December 2043, 26 September 2042 and 11 September 2043 respectively for commercial use and due to expire on 26 September 2052 for other use.

Notes:

- (1) According to 5 Granted State-owned Land Use Rights Certificates separately issued by the People's Government of Guangzhou and the People's Government of Huadu District, Guangzhou, the land use rights of several sites of a total area of 610,230.72 sq.m. have been vested in 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, with particulars as follows:–

Certificate No.	Use	Issue Date	Expiry Date	Site Area (sq.m.)
(2004) 720361	Residential and commercial	12 July 2004	10 December 2073 and 10 December 2043	128,512.50
(2004) 720362	Residential and commercial	12 July 2004	10 December 2073 and 10 December 2043	58,658.91
(2003) 11034922	Residential, commercial and others	20 February 2003	26 September 2072, 26 September 2042 and 26 September 2052	18,597.51
(2003) 11035101	Residential and commercial	28 September 2003	11 September 2073 and 11 September 2043	199,930.59
(2003) 11035102	Residential and commercial	30 September 2003	11 September 2073 and 11 September 2043	204,531.21
Total:				610,230.72

- (2) According to Transfer Contract of State-owned Land Use Rights entered into between an independent third party and 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, in 2002, the land use rights of a site of approximately 733,337 sq.m. have been contracted to be transferred to 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited) at a premium of RMB195,800,000.

As advised by the Company, the transfer has been completed and the ultimate aggregate granted site area is 610,230.72 sq.m. as set out in Note (1) above.

- (3) According to Real Estate Initial Registration Notification Nos. (15)03311801, (16)03331281, (16)03337101, (17)03447841, (2007)061, (2006)094, (2006)095, (2006)138, (2006)121, (2010)082, (2010)083, (2010)084, (2010)081, (2009)071, (2012)034, (2012)059, (2014)015, (2014)016 and (2014)017 issued by 廣州市國土資源和房屋管理局 (the Guangzhou Municipal Land Resources and Housing Administrative Bureau), the building ownership of portions of the development, Hopewell New Town, comprising a total gross floor area of 33,208.73 sq.m. has been vested in 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited) which is a 95% owned subsidiary of the Company.
- (4) According to the information provided by the Group, a residential unit and a car parking space of the property with a gross floor area of 155.55 sq.m. and 11.99 sq.m. respectively have been committed for sale for a total consideration of approximately RMB1,600,000. In the course of our valuation, we have taken into account the above contracted selling prices of such portions.
- (5) According to Business Licence No. 91440101741888721R dated 18 November 2015, 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, was established as a limited liability company with a registered capital of RMB124,000,000.

- (6) We have been provided with a legal opinion issued by the Company's PRC legal adviser on 22 February 2019, which contains, inter alia, the following information:
- (a) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, has obtained the State-owned Land Use Rights Certificates and Building Ownership Certificates of the property;
 - (b) The property is not subject to any mortgage; and
 - (c) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, is entitled to use, lease, transfer or mortgage the property.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the Company's PRC legal adviser:

Granted State-owned Land Use Rights Certificate	Yes
Transfer Contract of State-owned Land Use Rights	Yes
Real Estate Initial Registration Notification	Yes
Business Licence	Yes

Group VIII – Completed property held by the Group for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
20. The multi-purpose building of Hopewell New Town, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市花都區新華鎮迎賓大道南側合和新城綜合樓)	The property comprises a multi-purpose building accommodating offices, dormitories and ancillary canteen, with a total gross floor area of 7,658.36 sq.m. of a comprehensive development and was completed in 2008. The property is situated at Xinhua Town, Huadu District, which is predominantly a residential area. Developments in the vicinity comprise mainly residential developments such as Haoli Garden (豪利花園) and Duhu Guoji (都湖國際), etc. The land use rights of the property have been granted for a term due to expire on 11 September 2043 for commercial use.	As at the Valuation Date, the property was owner-occupied by the Group as offices and dormitories and ancillary canteen.	RMB93,000,000 (RENMINBI NINETY THREE MILLION) <i>(equivalent to HK\$104,532,000)</i> (95% interest attributable to the Group: RMB88,350,000) <i>(equivalent to HK\$99,305,400)</i>

Notes:

- According to Granted State-owned Land Use Rights Certificate No. (2003)11035102 issued by the People's Government of Huadu District, Guangzhou, the land use rights of a site of 204,531.21 sq.m. have been vested in 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company.
- According to Transfer Contract of State-owned Land Use Rights entered into between an independent third party and 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, in 2002, the land use rights of a site of approximately 733,337 sq.m. have been contracted to be transferred to 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, at a premium of RMB195,800,000.

As advised by the Company, the transfer has been completed and the ultimate aggregate granted site area is 610,230.72 sq.m. as set out in Note (1) of property no. 19.
- According to Real Estate Title Certificate No. 0300001022, the building ownership of the property comprising a total gross floor area of 7,658.36 sq.m. has been vested in 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited) which is a 95% owned subsidiary of the Company.
- According to Business Licence No. 91440101741888721R dated 18 November 2015, 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, was established as a limited liability company with a registered capital of RMB124,000,000.

- (5) We have been provided with a legal opinion issued by the Company's PRC legal adviser on 22 February 2019, which contains, inter alia, the following information:
- (a) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, has obtained the State-owned Land Use Rights Certificates and Building Ownership Certificates of the property;
 - (b) The property is not subject to any mortgage; and
 - (c) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, is entitled to use, lease, transfer or mortgage the property.
- (6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the Company's PRC legal adviser:

Granted State-owned Land Use Rights Certificate	Yes
Transfer Contract of State-owned Land Use Rights	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

Group IX – Property held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018
21. Phases 5A and 6, Hopewell New Town, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國廣東省廣州市花都區新華鎮迎賓大道南側合和新城5A期及6期)	The property comprises portions of a comprehensive mixed use development to be erected on two parcels of land with a total site area of 258,589.50 sq.m. According to the information provided by the Group, the constituent planned gross floor areas of this portion of development are as follows:– Planned Use Residential 127,022.60 Retail 938.60 Car parking 47,395.70 space (1,214 lots) Total: <u><u>175,356.90</u></u>	As at the Valuation Date, the property was under construction and scheduled to be completed by phases in between 2019 and 2020.	RMB2,152,000,000 (RENMINBI TWO BILLION ONE HUNDRED AND FIFTY TWO MILLION) <i>(equivalent to HK\$2,418,848,000)</i> (95% interest attributable to the Group: RMB2,044,400,000) <i>(equivalent to HK\$2,297,905,600)</i>

The property is situated at Xinhua Town, Huadu District, which is predominantly a residential area. Developments in the vicinity comprise mainly residential developments such as Haoli Garden (豪利花園) and Duhu Guoji (都湖國際), etc.

The land use rights of the property have been granted for terms due to expire on 10 December 2073 and 11 September 2073 respectively for residential use and due to expire on 10 December 2043 and 11 September 2043 respectively for commercial use.

Notes:

- (1) According to 2 Granted State-owned Land Use Rights Certificates issued by the People's Government of Guangzhou and the People's Government of Huadu District, Guangzhou respectively, the land use rights of two sites of a total area of 258,589.50 sq.m. have been vested in 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, with particulars as follows:-

Certificate No.	Use	Issue Date	Expiry Date	Site Area (sq.m.)
(2004) 720362	Residential and commercial	12 July 2004	10 December 2073 and 10 December 2043	58,658.91
(2003) 11035101	Residential and commercial	28 September 2003	11 September 2073 and 11 September 2043	199,930.59
Total:				258,589.50

- (2) According to Transfer Contract of State-owned Land Use Rights entered into between an independent third party and 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company in 2002, the land use rights comprising a site area of approximately 733,337 sq.m. have been contracted to be transferred to 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, at a premium of RMB195,800,000.

As advised by the Company, the transfer has been completed and the ultimate aggregate granted site area is 610,230.72 sq.m. as set out in Note (1) of property no. 19.

- (3) According to Planning Permit for Construction Use of Land No. A200200087 issued by the Guangzhou Municipal Planning Bureau Huadu District Branch on 8 November 2002, the construction sites of a total area of 733,333 sq.m. are in compliance with the urban planning requirements and have been approved.
- (4) According to Planning Permits for Construction Works Nos. (2016)23 and (2017)61, the construction works of portions of the development, Hopewell New Town, comprising a total gross floor area of 185,981.80 sq.m. are in compliance with the construction works requirements and have been approved.
- (5) According to Commencement Permits for Construction Works Nos. 440101201704070101 and 440101201806110101, the construction works of portions of the development, Hopewell New Town, comprising with a total gross floor area of 185,981.80 sq.m. were in compliance with the requirement of works commencement and were permitted to be developed.
- (6) The gross development value of the property as if completed as at 30 November 2018 was approximately RMB3,279,000,000.
- (7) As advised by the Group, the total estimated construction cost (excluding the land cost) for development of the property is approximately RMB594,000,000 and the construction cost (excluding the land cost) expended as at 30 November 2018 was approximately RMB196,000,000. We have taken into account the said construction costs in the course of our valuation.
- (8) According to the information provided by the Group, the Group has to develop certain public facilities within the entire Hopewell New Town development at its own expense and surrender to the local government at no compensation. The total estimated cost is approximately RMB448,100,000 on top of the construction cost in Note (7) above. We have taken into account the said cost in the course of our valuation.

- (9) According to Business Licence No. 91440101741888721R dated 18 November 2015, 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, was established as a limited liability company with a registered capital of RMB124,000,000.
- (10) We have been provided with a legal opinion issued by the Company's PRC legal adviser on 22 February 2019, which contains, inter alia, the following information:
- (a) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, has obtained the State-owned Land Use Rights Certificates of the property;
 - (b) The design and construction of the property are in compliance with the relevant government requirements;
 - (c) The property is not subject to any mortgage; and
 - (d) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, is entitled to use, lease, transfer or mortgage the property.
- (11) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the Company's PRC legal adviser:

Granted State-owned Land Use Rights Certificate	Yes
Transfer Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes
Business Licence	Yes

Group X – Property held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018														
22. Phases 5B, 7, 8, 9, 10, 11, 12, E1 and E2, and clubhouse, Hopewell New Town, located at south of Yingbin Avenue, Xinhua Town, Huadu District, Guangzhou, Guangdong Province, the PRC (中華人民共和國 廣東省廣州市 花都區新華鎮 迎賓大道南側 合和新城5B期、 7期、8期、9期、 10期、11期、12期、 E1期、E2期及會所)	The property comprises portions of a comprehensive mixed use development to be erected on three parcels of land with a total site area of 532,974.30 sq.m. According to the information provided by the Group, the constituent planned gross floor areas of this portion of the development are as follows:– <table border="1"> <thead> <tr> <th>Planned Use</th> <th>Approximate Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>302,825</td> </tr> <tr> <td>Retail</td> <td>97,586</td> </tr> <tr> <td>Hotel</td> <td>15,486</td> </tr> <tr> <td>Office</td> <td>47,563</td> </tr> <tr> <td>Car parking space (6,074 lots)</td> <td>273,304</td> </tr> <tr> <td>Total:</td> <td><u>736,764</u></td> </tr> </tbody> </table>	Planned Use	Approximate Planned Gross Floor Area (sq.m.)	Residential	302,825	Retail	97,586	Hotel	15,486	Office	47,563	Car parking space (6,074 lots)	273,304	Total:	<u>736,764</u>	As at the Valuation Date, the property was vacant land pending development.	RMB1,608,000,000 (RENMINBI ONE BILLION SIX HUNDRED AND EIGHT MILLION) <i>(equivalent to HK\$1,807,392,000)</i> (95% interest attributable to the Group: RMB1,527,600,000) <i>(equivalent to HK\$1,717,022,400)</i>
Planned Use	Approximate Planned Gross Floor Area (sq.m.)																
Residential	302,825																
Retail	97,586																
Hotel	15,486																
Office	47,563																
Car parking space (6,074 lots)	273,304																
Total:	<u>736,764</u>																

The property is situated at Xinhua Town, Huadu District, which is predominantly a residential area. Developments in the vicinity comprise mainly residential developments such as Haoli Garden (豪利花園) and Duhu Guoji (都湖國際), etc.

The land use rights of the property have been granted for terms due to expire on 10 December 2073 and 11 September 2073 respectively for residential use and due to expire on 10 December 2043 and 11 September 2043 respectively for commercial use.

Notes:

- (1) According to 3 Granted State-owned Land Use Rights Certificates separately issued by the People's Government of Guangzhou and the People's Government of Huadu District, Guangzhou, the land use rights of several sites of a total area of 532,974.30 sq.m. have been vested in 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, with particulars as follows:–

Certificate No.	Use	Issue Date	Expiry Date	Site Area (sq.m.)
(2004) 720361	Residential and commercial	12 July 2004	10 December 2073 and 10 December 2043	128,512.50
(2003) 11035101	Residential and commercial	28 September 2003	11 September 2073 and 11 September 2043	199,930.59
(2003) 11035102	Residential and commercial	30 September 2003	11 September 2073 and 11 September 2043	204,531.21
Total:				532,974.30

- (2) According to Transfer Contract of State-owned Land Use Rights entered into between an independent third party and 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, in 2002, the land use rights of a site of approximately 733,337 sq.m. have been contracted to be transferred to 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, at a premium of RMB195,800,000.

As advised by the Company, the transfer has been completed and the ultimate aggregate granted site area is 610,230.72 sq.m. as set out in Note (1) of property no. 19.

- (3) According to Planning Permit for Construction Use of Land No. A200200087 issued by the Guangzhou Municipal Planning Bureau Huadu District Branch on 8 November 2002, the construction sites of a total area of 733,333 sq.m. are in compliance with the urban planning requirements and have been approved.
- (4) According to the information provided by the Group, the Group has to develop certain public facilities within the entire Hopewell New Town development at its own expense and surrender to the local government at no compensation. The total estimated cost is approximately RMB448,100,000. We have taken into account the said cost in the course of our valuation.
- (5) According to Business Licence No. 91440101741888721R dated 18 November 2015, 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, was established as a limited liability company with a registered capital of RMB124,000,000.
- (6) We have been provided with a legal opinion issued by the Company's PRC legal adviser on 22 February 2019 which contains, inter alia, the following information:
- (a) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, has obtained the State-owned Land Use Rights Certificates of the property;
- (b) The property is not subject to any mortgage; and

- (c) 廣州市合和(花都)置業發展有限公司 (Guangzhou Municipality Hopewell (Huadu) Estate Development Company Limited), which is a 95% owned subsidiary of the Company, is entitled to use, lease, transfer or mortgage the property.
- (7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the Company's PRC legal adviser:

Granted State-owned Land Use Rights Certificate	Yes
Transfer Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

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

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

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

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued and paid-up share capital of the Company was HK\$11,197,829,356, which comprised 868,620,621 Shares in issue (of which 2,585,891 Shares were held in the form of ADSs);
- (b) all of the Shares currently in issue rank *pari passu* in all respects including as to capital, dividends and voting;
- (c) no new Shares had been issued by the Company since 30 June 2018 (being the end of the last financial year of the Company); and
- (d) apart from 2,585,891 Shares which were held in the form of ADSs, there were no outstanding options, warrants or conversion rights affecting the Shares.

3. MARKET PRICES

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

<u>Date</u>	<u>Closing price per Share</u> <i>HK\$</i>
22 February 2019, being the Latest Practicable Date	36.30
30 November 2018, being the Last Trading Date	26.45
at the end of each calendar month during the Relevant Period:	
29 June 2018	26.80
31 July 2018	27.80
31 August 2018	27.60
28 September 2018	25.75
31 October 2018	24.20
30 November 2018	26.45
31 December 2018	34.40
31 January 2019	36.15

- (b) During the Relevant Period, the highest closing price of the Shares was HK\$37.05 per Share as quoted on the Stock Exchange on 11 February 2019 and the lowest closing price of the Shares was HK\$24.00 per Share as quoted on the Stock Exchange on 16 October 2018.
- (c) The Cancellation Price of HK\$38.80 per Scheme Share represents a premium of approximately 46.7% over the closing price of HK\$26.45 per Share as quoted on the Stock Exchange on the Last Trading Date.

4. DISCLOSURE OF INTERESTS IN THE SHARES

As at the Latest Practicable Date:

- (a) save as disclosed below, none of the Directors were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares:

<u>Name of Director</u>	<u>Number of Shares interested</u>	<u>Approximate % of the total issued Shares</u>
Sir Gordon WU	244,286,540	28.12
Lady Ivy WU	244,286,540	28.12
Mr. Guy WU	2,645,650	0.30
Mr. Eddie HO	27,761,500	3.20
Mr. Thomas WU	29,000,000	3.34
Mr. Josiah Chin Lai KWOK	1,275,000	0.15
Mr. Albert Kam Yin YEUNG	10,000	0.001
Mr. William Wing Lam WONG	338,000	0.04
Ms. Linda Lai Chuen LOKE ^(Note)	1,308,981	0.15

Note: Ms. Linda Lai Chuen LOKE is deemed to be interested in 1,308,981 Shares which are beneficially owned by her spouse.

- (b) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (d) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (e) neither the Company nor any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) the Offeror did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (g) save as disclosed below, none of the directors of the Offeror were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares and no Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of Shares:

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Approximate % of the total issued Shares</u>
Consortium Offeror Concert Parties not subject to the Scheme⁽¹⁾		
Sir Gordon WU ⁽²⁾	78,098,782	8.99
Lady Ivy WU ⁽³⁾	27,073,300	3.12
Sir Gordon WU and Lady Ivy WU ⁽⁴⁾	139,114,458	16.01
Ms. June WU ⁽⁵⁾	420,000	0.05
Ms. Carol WU	400,000	0.05
Clyde & Helen WU Irrevocable Trust ⁽⁶⁾	13,991,000	1.61
Roger Man-Yuk WU Irrevocable Trust ⁽⁷⁾	15,635,000	1.80
David Man-Hay WU Irrevocable Trust ⁽⁸⁾	15,635,000	1.80
Mr. Guy WU	2,645,650	0.30
Mr. Eddie HO ⁽⁹⁾	27,761,500	3.20
Sub-total	320,774,690	36.93
Non-Consortium Offeror Concert Parties subject to the Scheme		
Mr. Thomas WU	29,000,000	3.34
Mr. KWOK Tse Wah	911,600	0.10
Mr. Thomas KWOK	175,000	0.02
Mr. Josiah Chin Lai KWOK	1,275,000	0.15
Mr. Albert Kam Yin YEUNG	10,000	0.001
Mr. William Wing Lam WONG	338,000	0.04
Sub-total	31,709,600	3.65
TOTAL	352,484,290	40.58

Note (1): Upon the Scheme becoming effective, the Consortium Offeror Concert Parties will directly or indirectly hold Shares in the Company and also indirectly hold Shares in the Company through the Offeror.

Note (2): Sir Gordon WU is a director of each of the Offeror, Holdco and Topco. 34,428,782 Shares are directly held by Sir Gordon WU and 43,670,000 Shares are indirectly held by Sir Gordon WU through his directly or indirectly wholly-owned companies, Cheer Dale Ltd., Garwin Limited, Ixia Investment Ltd., Prime Land Investment Ltd and Principal Land Investment Ltd.

Note (3): Lady Ivy WU is a director of each of the Offeror, Holdco and Topco. 20,193,300 Shares are directly held by Lady Ivy WU and 6,880,000 Shares are indirectly held by Lady Ivy WU through her wholly-owned company, Bongear Investment Limited.

Note (4): 30,680,000 Shares are directly held by Sir Gordon WU and Lady Ivy WU in their joint names and 108,434,458 Shares are indirectly held by Sir Gordon WU and Lady Ivy WU through their directly or indirectly wholly-owned companies, Chi Chung Company, Limited, Eurotel Properties Limited, Fair Blossom Ltd., Rayforce Ltd. and Whitaco Ltd.

Note (5): Ms. June WU holds her Shares in the Company through Ocean Perfect Limited, a company owned as to 98% by Ms. June WU and 1% by each of Sir Gordon WU and Lady Ivy WU.

Note (6): The Clyde & Helen WU Irrevocable Trust is a trust initially granted by Sir Gordon WU to the late Dr. Clyde WU and the late Mrs. Helen WU as trustees for the benefit of the grandchildren and more remote issue of the late Dr. Clyde WU and the late Mrs. Helen WU and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees.

Note (7): The Roger Man-Yuk WU Irrevocable Trust is a trust initially granted by Sir Gordon WU to Mr. Roger WU and the late Dr. Clyde WU as trustees for the benefit of Mr. Roger WU and his issue and is currently administered by Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees.

Note (8): The David Man-Hay WU Irrevocable Trust is a trust initially granted by Sir Gordon WU to Mr. David WU and the late Dr. Clyde WU as trustees for the benefit of Mr. David WU and his issue and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees.

Note (9): 27,691,500 Shares are directly held by Mr. Eddie HO and 70,000 Shares are indirectly held by Mr. Eddie HO through his wholly-owned company, Super Winner Investment Limited.

- (h) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (i) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any of the Offeror Concert Parties; and
- (j) none of the Offeror or the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

5. DEALINGS IN THE SHARES

During the Relevant Period:

- (a) except for Mr. Thomas WU who purchased 100,000 Shares on 23 August 2018 at the lowest price of HK\$27.55 per Share and the highest price of HK\$27.70 per Share, no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt

principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (e) except for (i) Mr. Thomas WU who purchased 100,000 Shares on 23 August 2018 at the lowest price of HK\$27.55 per Share and the highest price of HK\$27.70 per Share and (ii) Mr. KWOK Tse Wah who disposed of 40,000 Shares on 6 December 2018 at the lowest price of HK\$34.00 per Share and the highest price of HK\$34.20 per Share, none of the Offeror, the directors of the Offeror or the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (f) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

6. DISCLOSURE OF INTERESTS IN OFFEROR’S SHARES

As at the Latest Practicable Date:

- (a) the Offeror is wholly owned by Holdco, which is wholly owned by Topco, which in turn is 50% owned by each of Sir Gordon WU and Lady Ivy WU, who are Directors; and
- (b) save as disclosed above, none of the Company and the Directors were interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

7. DEALINGS IN OFFEROR’S SHARES

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

8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) save for the Acquisition Financing Facility Agreement, there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) save for the Subscription Letters as disclosed in “13. *Information on the Offeror Group and the Consortium Members*” in the Explanatory Statement, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal; and
- (c) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

9. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) save as disclosed in paragraph (d) below, no benefit (other than statutory compensation required under appropriate laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) save for the arrangement under the Subscription Letters as disclosed in “13. *Information on the Offeror Group and the Consortium Members*” in the Explanatory Statement, there were no agreements or arrangements between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (c) save for the Acquisition Financing Facility Agreement, there were no material contracts entered into by the Offeror in which any Director has a material personal interest; and
- (d) Mr. Carmelo Ka Sze LEE, a non-executive Director, is a partner of Woo Kwan Lee & Lo, which firm will receive normal remuneration for acting as solicitors for the Company in relation to the Proposal.

10. DIRECTORS' SERVICE CONTRACTS

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

11. LITIGATION

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

12. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the offer period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries:

- (a) the sale and purchase agreement dated 29 December 2017 entered into among Anber Investments Limited (an indirect wholly-owned subsidiary of the Company) (as the vendor), the Company (as vendor's guarantor), Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (as the purchaser) and Shenzhen Investment Holdings Co., Ltd (as purchaser's guarantor) in relation to the HHI Disposal for a total cash consideration of HK\$9,865,379,217.60 (the "**Sale and Purchase Agreement**"), further details of which are set out in the Company's circular dated 22 January 2018;
- (b) the supplemental agreement dated 18 January 2018 entered into among Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd, Shenzhen Investment Holdings Co., Ltd, Anber Investments Limited and the Company in relation to the extension of the first long stop date under the Sale and Purchase Agreement, further details of which are set out in the Company's circular dated 22 January 2018; and
- (c) the second supplemental agreement dated 26 February 2018 entered into among Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd, Shenzhen Investment Holdings Co., Ltd, Anber Investments Limited and the Company in relation to the further extension of the first long stop date under the Sale and Purchase Agreement, further details of which are set out in the Company's announcement dated 26 February 2018.

13. EXPERTS AND CONSENTS

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

Name	Qualification
Citigroup Global Markets Asia Limited	a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
China Tonghai Capital Limited	a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Cushman & Wakefield Limited	an independent professional property valuer

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

14. MISCELLANEOUS

- (a) The registered office of the Offeror is at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (b) The addresses of the principal members of the Offeror Concert Parties, being Sir Gordon WU and Lady Ivy WU, are both at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The registered office of the Company is at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The registered office of Citigroup is at 50th Floor, Champion Tower, Three Garden Road, Central, Hong Kong.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier (1) at the registered office of the Company at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time), (2) on the website of the Company <http://www.hopewellholdings.com> and (3) on the website of the SFC at <http://www.sfc.hk>:

- (a) the articles of association of the Offeror;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 30 June 2017 and 30 June 2018 (prior to changing of the Company's financial year end from 30 June to 31 March, further details of which are set out in the Company's announcement dated 8 May 2018);
- (d) the interim report of the Company for the three months and six months ended 30 September 2018 (after the changing of the Company's financial year end from 30 June to 31 March, further details of which are set out in the Company's announcement dated 8 May 2018);
- (e) the letter from the Board, the text of which is set out on pages 22 to 31 of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 34 to 87 of this Scheme Document;
- (h) the letter, summary of valuations and valuation report from Cushman & Wakefield Limited, the text of which is set out on pages 122 to 171 of this Scheme Document;
- (i) the written consents referred to in the section headed "13. *Experts and Consents*" in Appendix III – General Information;
- (j) the material contracts referred to in the section headed "12. *Material Contracts*" in Appendix III – General Information; and
- (k) this Scheme Document.

SCHEME OF ARRANGEMENT

HCMP No. 2251/2018

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 2251 OF 2018

IN THE MATTER OF
HOPEWELL HOLDINGS LIMITED
合和實業有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 of THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance,
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“BOCI Trustee”	BOCI-Prudential Trustee Limited being the trustee of the HHL Employees’ Share Award Scheme Trust
“Cancellation Price”	the cancellation price of HK\$38.80 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme

SCHEME OF ARRANGEMENT

“Citigroup”	Citigroup Global Markets Asia Limited (花旗環球金融亞洲有限公司), a company incorporated in Hong Kong with limited liability and licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Proposal
“Clyde & Helen WU Irrevocable Trust”	a trust initially granted by Sir Gordon WU to the late Dr. Clyde WU and the late Mrs. Helen WU as trustees for the benefit of the grandchildren and more remote issue of the late Dr. Clyde WU and the late Mrs. Helen WU and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Hopewell Holdings Limited (合和實業有限公司), a company incorporated in Hong Kong with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 54)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “5. <i>Conditions of the Proposal</i> ” in the Explanatory Statement
“Consortium Member”	a shareholder of (a) Topco as at the Latest Practicable Date or (b) Holdco upon the Scheme becoming effective (as a result of the issue of new shares in Holdco in accordance with the Subscription Letters prior to the Scheme becoming effective)

SCHEME OF ARRANGEMENT

“Consortium Offeror Concert Parties”	persons acting in concert with the Offeror under the Takeovers Code who are (or through their respective controlled companies are) Consortium Members, including (a) Sir Gordon WU, (b) Lady Ivy WU, (c) Ms. June WU, (d) Ms. Carol WU, (e) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the Clyde & Helen WU Irrevocable Trust, (f) Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees of the Roger Man-Yuk WU Irrevocable Trust, (g) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the David Man-Hay WU Irrevocable Trust, (h) Mr. Guy WU and (i) Mr. Eddie HO
“Consortium Offeror Concert Party Shares”	Shares in issue on the Scheme Record Date (unless otherwise specified) held or beneficially owned by the Consortium Offeror Concert Parties
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court at 11:00 a.m. on Thursday, 21 March 2019 at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong or any adjournment thereof at which the Scheme will be voted upon
“David Man-Hay WU Irrevocable Trust”	a trust initially granted by Sir Gordon WU to Mr. David WU and the late Dr. Clyde WU as trustees for the benefit of Mr. David WU and his issue and is currently administered by Mr. David WU and Mr. Thomas MACFARLANE as co-trustees
“Dr. Clyde WU”	the late Dr. Clyde Ying-Chau WU
“Effective Date”	the date on which the Scheme becomes effective pursuant to paragraph 5 of this Scheme
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“exempt fund manager(s)”	has the meaning ascribed to it in the Takeovers Code
“exempt principal trader(s)”	has the meaning ascribed to it in the Takeovers Code

SCHEME OF ARRANGEMENT

“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 88 to 114 of the Scheme Document
“HHL Employees’ Share Award Scheme”	the employee share award scheme adopted by the Company on 25 January 2007 which is valid and effective for a period of 15 years commencing from 25 January 2007
“HHL Employees’ Share Award Scheme Trust”	the trust constituted by the trust deed of the HHL Employees’ Share Award Scheme
“High Court”	the Court of First Instance of the High Court of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	Latour HK Co Ltd, a limited company incorporated in the British Virgin Islands, which, upon the Scheme becoming effective, will be 76.15% owned by Topco and the remaining 23.85% owned by the Clyde & Helen WU Irrevocable Trust, the Roger Man-Yuk WU Irrevocable Trust, the David Man-Hay WU Irrevocable Trust, Mr. Guy WU, Mr. Eddie HO, Ms. June WU and Ms. Carol WU (as a result of the issue of new shares in Holdco in accordance with the Subscription Letters prior to the Scheme becoming effective)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP, being all the independent non-executive directors of the Company

SCHEME OF ARRANGEMENT

“Independent Financial Adviser”	China Tonghai Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Lady Ivy WU”	Lady WU Ivy Sau Ping KWOK
“Latest Practicable Date”	22 February 2019, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Long Stop Date”	5 June 2019 or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and/or the High Court may direct
“Mr. David WU”	Mr. David Man-Hay WU
“Mr. Eddie HO”	Mr. Eddie Ping Chang HO
“Mr. Guy WU”	Mr. Guy Man Guy WU
“Mr. Roger WU”	Mr. Roger Man-Yuk WU
“Mr. Thomas KWOK”	Mr. KWOK Yan Hing
“Mr. Thomas WU”	Mr. Thomas Jefferson WU
“Mrs. Helen WU”	the late Mrs. Helen Ching-Hung Tseng WU
“Ms. Carol WU”	Ms. Carol Ann WU
“Ms. June WU”	Ms. Kar Ming June WU

SCHEME OF ARRANGEMENT

“Non-Consortium Offeror Concert Parties”	persons acting in concert with the Offeror under the Takeovers Code who are not Consortium Members, including, (a) Mr. Thomas WU, being the son (and hence close relative) of Sir Gordon WU and Lady Ivy WU, (b) members of the Citigroup group (except those which have been granted exempt principal trader or exempt fund manager status for the purpose of the Takeovers Code), (c) Mr. KWOK Tse Wah, being the father (and hence close relative) of Lady Ivy WU, (d) Mr. Thomas KWOK being the sibling (and hence close relative) of Lady Ivy WU and certain Directors presumed to be acting in concert with the Offeror under the Takeovers Code who are not Consortium Members, namely, (e) Mr. Josiah Chin Lai KWOK, (f) Mr. Albert Kam Yin YEUNG and (g) Mr. William Wing Lam WONG being the executive directors of the Company
“Offeror”	Petrus HK Co Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Holdco
“Offeror Concert Parties”	all persons acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, namely, the Consortium Offeror Concert Parties and the Non-Consortium Offeror Concert Parties
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme
“Register”	the register of members of the Company
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Roger Man-Yuk WU Irrevocable Trust”	a trust initially granted by Sir Gordon WU to Mr. Roger WU and the late Dr. Clyde WU as trustees for the benefit of Mr. Roger WU and his issue and is currently administered by Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees
“Scheme”	this scheme of arrangement under section 673 of the Companies Ordinance in its present form, with or subject to any modification thereof or addition thereto or any condition as may be approved or imposed by the High Court

SCHEME OF ARRANGEMENT

“Scheme Document”	the composite scheme document dated 25 February 2019 issued jointly by the Offeror and the Company to the Shareholders containing details of this Scheme
“Scheme Record Date”	Tuesday, 30 April 2019, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Shareholders”	the registered holders of the Scheme Shares
“Scheme Shares”	Shares in issue on the Scheme Record Date other than the Consortium Offeror Concert Party Shares
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Sir Gordon WU”	Sir Gordon Ying Sheung WU
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Letters”	the applications dated 3 December 2018 by each of (a) Topco, (b) Ms. June WU, (c) Ms. Carol WU, (d) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the Clyde & Helen WU Irrevocable Trust, (e) Mr. Roger WU and Mr. Thomas MACFARLANE as co-trustees of the Roger Man-Yuk WU Irrevocable Trust, (f) Mr. David WU and Mr. Thomas MACFARLANE as co-trustees of the David Man-Hay WU Irrevocable Trust, (g) Mr. Guy WU and (h) Mr. Eddie HO for new shares in Holdco at a par value of US\$1 per share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Topco”	Tiger HK Co Ltd, a limited company incorporated in the British Virgin Islands, which is 50% owned by each of Sir Gordon WU and Lady Ivy WU
“US\$”	United States dollars, the lawful currency of the United States of America

SCHEME OF ARRANGEMENT

“%” per cent

- (B) As at the Latest Practicable Date, the issued and paid up share capital of the Company was HK\$11,197,829,356 and a total of 868,620,621 Shares were in issue.
- (C) As at the Latest Practicable Date, (a) the Scheme Shares comprised a total of 547,845,931 Shares held or beneficially owned by the Scheme Shareholders (which include the Non-Consortium Offeror Concert Parties), representing approximately 63.07% of the total issued Shares; and (b) the Consortium Offeror Concert Party Shares comprised 320,774,690 Shares held or beneficially owned by the Consortium Offeror Concert Parties, representing approximately 36.93% of the total issued Shares.
- (D) As at the Latest Practicable Date, the Consortium Offeror Concert Party Shares were registered as follows:

Name	Registered holder of Shares	Number of Shares
Sir Gordon WU	HKSCC Nominees	78,098,782
Lady Ivy WU	HKSCC Nominees	27,073,300
Sir Gordon WU and Lady Ivy WU	HKSCC Nominees	139,114,458
Ms. June WU	Ocean Perfect Limited	420,000
Ms. Carol WU	HKSCC Nominees	400,000
Clyde & Helen WU Irrevocable Trust	HKSCC Nominees	13,991,000
Roger Man-Yuk WU Irrevocable Trust	HKSCC Nominees	15,635,000
David Man-Hay WU Irrevocable Trust	HKSCC Nominees	15,635,000
Mr. Guy WU	HKSCC Nominees	2,645,650
Mr. Eddie HO	HKSCC Nominees	27,761,500

As the Consortium Offeror Concert Parties are not Scheme Shareholders, each of the Consortium Offeror Concert Parties will procure that any Shares in respect of which they are beneficially interested will not be voted at the Court Meeting.

- (E) As at the Latest Practicable Date, Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG, being Non-Consortium Offeror Concert Parties, beneficially owned, controlled or had direction over 31,709,600 Shares, representing approximately 3.65% of the total issued Shares and such Shares are registered as follows:

Name	Registered holder of Shares	Number of Shares
Mr. Thomas WU	HKSCC Nominees	29,000,000
Mr. KWOK Tse Wah	KWOK Tse Wah	611,600
Mr. KWOK Tse Wah	Plenty Bridges Enterprises Limited	300,000
Mr. Thomas KWOK	HKSCC Nominees	175,000

SCHEME OF ARRANGEMENT

Name	Registered holder of Shares	Number of Shares
Mr. Josiah Chin Lai KWOK	HKSCC Nominees	1,275,000
Mr. Albert Kam Yin YEUNG	HKSCC Nominees	10,000
Mr. William Wing Lam WONG	HKSCC Nominees	338,000

- (F) In accordance with the Takeovers Code, each of Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG, being the Non-Consortium Offeror Concert Parties, are required to abstain from voting at the Court Meeting notwithstanding that the Scheme Shareholders include them.
- (G) Citigroup, the exclusive financial adviser to the Offeror in connection with the Proposal, and relevant members of the Citigroup group (except those which have been granted exempt principal trader or exempt fund manager status for the purposes of the Takeovers Code) are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, members of the Citigroup group (except those which have been granted exempt principal trader or exempt fund manager status for the purposes of the Takeovers Code), being Non-Consortium Offeror Concert Parties, did not beneficially own, control or have direction over any Shares. Notwithstanding that connected exempt principal traders within the Citigroup group are not presumed to be “acting in concert” with the Offeror under the Takeovers Code and accordingly, any Shares owned by any such connected exempt principal traders will be considered as disinterested Shares for the purposes of the Takeovers Code, such Shares (other than Shares underlying the American depository shares, each representing the right to receive one Share, which are held on non-discretionary basis) will not be voted at the Court Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code. Such Shares will form part of the Scheme Shares.
- (H) As at the Latest Practicable Date, other than the Consortium Offeror Concert Parties, Mr. Thomas WU, Mr. KWOK Tse Wah, Mr. Thomas KWOK, Mr. Josiah Chin Lai KWOK, Mr. Albert Kam Yin YEUNG and Mr. William Wing Lam WONG, the Offeror Concert Parties did not hold any other Shares.
- (I) As at the Latest Practicable Date, 72,000 Shares are held by the HHL Employees’ Share Award Scheme Trust, the trustee of which is BOCI Trustee, and no employee of the Company has been awarded any Shares under the HHL Employees’ Share Award Scheme. According to the trust deed of the HHL Employees’ Share Award Scheme, BOCI Trustee shall not exercise the voting rights attached to the Shares held under the HHL Employees’ Share Award Scheme Trust. Accordingly, such 72,000 Shares will not be voted at the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

SCHEME OF ARRANGEMENT

- (J) The Offeror is a company incorporated in Hong Kong with limited liability principally engaged in investment holding. Each of Holdco and Topco are limited companies incorporated in the British Virgin Islands principally engaged in investment holding. As at the Latest Practicable Date, the Offeror is wholly owned by Holdco, which is wholly owned by Topco, which in turn is 50% owned by each of Sir Gordon WU and Lady Ivy WU. As at the Latest Practicable Date, the Offeror did not legally and beneficially own, control or have direction over any Shares.
- (K) Prior to the Scheme becoming effective, new shares in Holdco will be issued in accordance with the Subscription Letters. Therefore, upon the Scheme becoming effective, Holdco will be 76.15% owned by Topco and 23.85% owned by Ms. June WU, Ms. Carol WU, Mr. David WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the Clyde & Helen WU Irrevocable Trust, Mr. Roger WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the Roger Man-Yuk WU Irrevocable Trust, Mr. David WU and Mr. Thomas MACFARLANE in their capacity as co-trustees of the David Man-Hay WU Irrevocable Trust, Mr. Guy WU and Mr. Eddie HO.
- (L) Shares held by the Consortium Offeror Concert Parties will not be cancelled under the Scheme and will continue to be held by them upon the Scheme becoming effective. In addition, each of the Consortium Offeror Concert Parties either (a) already hold shares in Topco or (b) will hold new shares in Holdco to be issued prior to the Scheme becoming effective at a par value of US\$1 per share in accordance with the Subscription Letters such that, upon the Scheme becoming effective, they will indirectly hold the shares in the Offeror in proportion to their respective shareholding of the Consortium Offeror Concert Party Shares.
- (M) Upon the Scheme becoming effective, the Consortium Offeror Concert Parties will directly or indirectly hold 36.93% of the total issued Shares and the Offeror will directly hold 63.07% of the total issued Shares.
- (N) The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all the Scheme Shares held by the Scheme Shareholders on the Effective Date in exchange for the payment to each Scheme Shareholder the Cancellation Price in cash for each Scheme Share. Immediately after the cancellation and extinguishment of the Scheme Shares, the share capital of the Company will be increased to its former amount by the issue to the Offeror, credited as fully paid, of such number of new Shares as is equal to the number of the Scheme Shares cancelled and extinguished.
- (O) The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of the share capital taking effect, the share capital of the Company shall be increased to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply all the credit arising in its books of account as a result of the reduction of its share capital in paying up the new Shares to be created as set out in paragraph 1(b) above, which Shares shall be allotted and issued, credited as fully paid, to the Offeror.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration for the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to each Scheme Shareholder as appearing in the Register on the Scheme Record Date the Cancellation Price for each Scheme Share held.

PART III

GENERAL APPLICATION

3.
 - (a) As soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted to the Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.
 - (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the Register as at the Scheme Record Date, or in the case of the joint holders, at the address appearing in the Register as at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.

SCHEME OF ARRANGEMENT

- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be good discharge to the Offeror for the moneys represented thereby.
- (d) All cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Citigroup, the Depositary (or any of its designees), the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Offeror hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and the Offeror shall be absolutely entitled to keep the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject, if applicable, to any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.
- (g) Paragraph 3(f) above shall take effect subject to any prohibition or condition imposed by law.

SCHEME OF ARRANGEMENT

4. As from and including the Effective Date:
 - (a) all certificates for the Scheme Shares shall cease to have effect as documents of evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, under the section headed “5. *Conditions of the Proposal*” in the Explanatory Statement, this Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme (with or without modification) and confirming the reduction of the share capital of the Company provided for by this Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.
6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the High Court may see fit to approve or impose.
8. Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all cost, charges and expenses of the advisers and counsel appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

25 February 2019

NOTICE OF COURT MEETING

HCMP No. 2251/2018

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 2251 OF 2018

IN THE MATTER OF

HOPEWELL HOLDINGS LIMITED
合和實業有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance,
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 19 February 2019 made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed that a meeting of the Scheme Shareholders (as defined in the Scheme referred to below) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Hopewell Holdings Limited 合和實業有限公司 (the “**Company**”) and the Scheme Shareholders (the “**Meeting**”), and that the Meeting will be held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 21 March 2019 *(see Note)* at 11:00 a.m..

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) required to be furnished pursuant to section 671 of the Companies Ordinance, are incorporated in the composite scheme document dated 25 February 2019 (the “**Scheme Document**”) and sent to the shareholders of the Company, of which this Notice forms part.

Scheme Shareholders (other than those who are precluded from voting as detailed in the Scheme) may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the Scheme Document.

NOTICE OF COURT MEETING

It is requested that the form appointing proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, be deposited at the Company's registered office at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting but the form of proxy not so lodged may also be handed to the Chairman of the Meeting at the Meeting. Form of proxy sent electronically will not be accepted.

Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.

By the same Order, the High Court has appointed Mr. Yuk Keung Ip or, failing him, Dr. Gordon Yen or, failing him, Mr. Sunny Tan, or failing him, Ms. Linda Lai Chuen Loke, all being directors of the Company, to act as Chairman of the Meeting and has directed the Chairman to report the result of it to the High Court.

If approved at the Meeting, the Scheme will be subject to the subsequent sanction of the High Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated this 25th day of February 2019.

WOO KWAN LEE & LO

Solicitors

26th Floor, Jardine House

1 Connaught Place, Central

Hong Kong

Solicitors to

HOPEWELL HOLDINGS LIMITED

Note:

If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Thursday, 21 March 2019, the Meeting will be postponed and by virtue of this notice, the Meeting will be held instead on Tuesday, 26 March 2019 at 11:00 a.m. or at a time on an alternative day to be announced that falls within seven business days (i.e. a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong) of the original date scheduled for the Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Tuesday, 26 March 2019. Scheme Shareholders may call the hotline at +852 2528 4975 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at www.hopewellholdings.com for details of alternative meeting arrangements. The Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Scheme Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

NOTICE OF COURT MEETING

As at the date of this notice, the board of directors of the Company comprises seven executive directors, namely Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Deputy Chairman and Managing Director), Mr. Josiah Chin Lai KWOK (Deputy Managing Director), Mr. Albert Kam Yin YEUNG, Mr. William Wing Lam WONG and Ir. Dr. Leo Kwok Kee LEUNG, three non-executive directors, namely Lady WU Ivy Sau Ping KWOK, Mr. Carmelo Ka Sze LEE and Mr. Guy Man Guy WU and five independent non-executive directors, namely Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP.

NOTICE OF EGM



HOPEWELL HOLDINGS LIMITED

合和實業有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 54)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Hopewell Holdings Limited 合和實業有限公司 (the “**Company**”) will be held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 21 March 2019 *(see Note (7))* at 11:30 a.m. (or as soon thereafter as the meeting of the Scheme Shareholders (as defined in the Scheme referred to below) convened at the direction of the High Court of the Hong Kong Special Administrative Region for the same place and day (the “**Court Meeting**”) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the proposed scheme of arrangement dated 25 February 2019 under section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print contained in the composite scheme document dated 25 February 2019 (the “**Scheme Document**”) which has been produced to this Meeting, a print of which has for the purposes of identification been signed by the Chairman of this Meeting and marked “A”, with any modification of or addition to it, or any condition, as may be approved or imposed by the High Court (as defined in the Scheme), be and is hereby approved; and
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);
 - (ii) subject to and forthwith upon such reduction of share capital taking effect, the share capital of the Company be increased to its former amount by the issue to Petrus HK Co Ltd (the “**Offeror**”), credited as fully paid, of the same number of new shares in the capital of the Company as is equal to the number of Scheme Shares (as defined in the Scheme) cancelled and extinguished; and

NOTICE OF EGM

- (iii) the Company shall apply the entire amount of the credit arising in its books of account as a result of its reduction of share capital in paying up the new shares of the Company to be allotted and issued, credited as fully paid, to the Offeror, and the directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly; and
- (C) the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be withdrawn, subject to the Scheme taking effect; and
- (D) the directors of the Company be and are hereby unconditionally authorised to do all acts and things and/or sign such documents as considered by them to be necessary or desirable for or in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to the Scheme taking effect; (ii) the reduction of the share capital of the Company; (iii) the allotment and issue of the shares of the Company referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the High Court (as defined in the Scheme) may see fit to impose and to do all other acts and things and/or sign such documents considered by them to be necessary for or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Offeror by way of the Scheme as a whole.”

By Order of the Board
HOPEWELL HOLDINGS LIMITED
合和實業有限公司
KOO Ching Fan
Company Secretary

Hong Kong, 25 February 2019

Notes:

- (1) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (2) At the Meeting, the above resolution will be voted on by way of a poll.
- (3) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies, representing respectively the number of shares of the Company held by that member, to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (4) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company’s registered office, at 64th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting (as the case may be). Form of proxy sent electronically will not be accepted.

NOTICE OF EGM

- (5) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.
- (6) For the purpose of ascertaining members who are entitled to attend and vote at the Meeting (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 14 March 2019 to Thursday, 21 March 2019, both days inclusive. In order to qualify for the right to attend and vote at the Meeting (or any adjournment thereof), all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 13 March 2019 for registration.
- (7) If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Thursday, 21 March 2019, the Meeting will be postponed and by virtue of this notice, the Meeting will be held instead on Tuesday, 26 March 2019 at 11:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) or at a time on an alternative day to be announced that falls within seven business days (i.e. a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong) of the original date scheduled for the Meeting in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Tuesday, 26 March 2019. Shareholders may call the hotline at +852 2528 4975 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at www.hopewellholdings.com for details of alternative meeting arrangements. The Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

- (8) In the case of any inconsistency between the Chinese translation and English text of this notice, the English text shall prevail.

As at the date of this notice, the board of directors of the Company comprises seven executive directors, namely Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Deputy Chairman and Managing Director), Mr. Josiah Chin Lai KWOK (Deputy Managing Director), Mr. Albert Kam Yin YEUNG, Mr. William Wing Lam WONG and Ir. Dr. Leo Kwok Kee LEUNG, three non-executive directors, namely Lady WU Ivy Sau Ping KWOK, Mr. Carmelo Ka Sze LEE and Mr. Guy Man Guy WU and five independent non-executive directors, namely Ms. Linda Lai Chuen LOKE, Mr. Sunny TAN, Dr. Gordon YEN, Mr. Ahito NAKAMURA and Mr. Yuk Keung IP.