Opus Capital Limited
創富融資有限公司

23 August 2023

To: The Independent Board Committee of Golden Eagle Retail Group Limited

Dear Sirs/Madams,

(1) PROPOSED PRIVATISATION OF GOLDEN EAGLE RETAIL GROUP LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT; AND (2) PROPOSED WITHDRAWAL OF LISTING OF GOLDEN EAGLE RETAIL GROUP LIMITED

INTRODUCTION

We refer to our appointment by the Company, with the approval of the Independence Board Committee, to advise the Independent Board Committee in connection with the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in Part III – Letter from the Board (the "**Letter from the Board**") and Part VI – Explanatory Memorandum (the "**Explanatory Memorandum**") of this composite scheme document dated 23 August 2023 jointly issued by the Company and the Offeror in relation to, among others, the Proposal (the "**Scheme Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

Reference is made to the Announcement. On 25 May 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of the Scheme.

If the Proposal is approved and implemented: (i) all of the Scheme Shares held by the Disinterested Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the Cash Cancellation Consideration payable in cash by the Offeror to the Disinterested Scheme Shareholders whose names appear on the Register on the Scheme Record Date; (ii) the 1,151,268,000 Scheme Shares held by GEIRG (representing all the Shares held by GEIRG) will be cancelled and extinguished on the Effective Date in exchange for the

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GEIRG Cancellation Consideration, which will be satisfied by the Offeror crediting as fully paid 100 nil-paid Offeror Shares (representing 100% of the issued share capital of the Offeror) held by GEICO at the direction of GEIRG; (iii) pursuant to (i) and (ii) above, the issued share capital of the Company will be reduced by cancelling and extinguishing the Scheme Shares, and upon such reduction, the issued share capital of the Company will be simultaneously increased to its former amount by the new issuance at par to the Offeror, credited as fully paid, of an aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of Scheme Shares will be applied to pay up in full at par the new Shares so issued, credited as fully paid, to the Offeror; (d) approximately 89.06% of the total number of Shares in issue will be held by the Offeror (as a result of the new issuance mentioned in paragraph (c) above), and approximately 0.95% and 9.99% of the total number of Shares in issue will continue to be held by the Founder Family Members and RVJD STAR Company respectively (as a result of the Rollover Arrangement); and (v) the Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan, has been established by the Board to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM. We have been appointed by the Company, pursuant to Rule 2.1 of the Takeovers Code and with the approval of the Independent Board Committee, to advise the Independent Board Committee with respect to the same.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Proposal and the Scheme, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Proposal and the Scheme pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

(i) the Announcement;

(ii) the Company's annual report for the two years ended 31 December ("**FY**") 2021 (the "**2021 Annual Report**") and 2022 (the "**2022 Annual Report**");

(iii) the Company's interim results announcement for the six months ended 30 June ("**1H**") 2023 published on 16 August 2023 (the "**2023 Interim Results**");

(iv) the independent property valuation report issued by the Independent Valuer as set out in Appendix II to the Scheme Document (the "**Valuation Report**"); and

(v) other information as set out in the Scheme Document.

We have also discussed with and reviewed the information provided to us by the Company, the Directors (excluding the Independent Board Committee) and the management of the Group (collectively, the "**Management**") regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Scheme Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive (i) at the time when they were provided; (ii) at the time they were made; or (iii) as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as practicable, if any, to the information and representations provided and made to us and the contents of this letter after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. Shareholders will also be informed of our opinion in relation to such material changes, if any, as soon as practicable.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Scheme Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any such statement contained in the Scheme Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, and nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (including the relevant information concerning the Company provided by the Management and as set out in our letter) (other than that relating to the Offeror and the Offeror Concert Parties) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than the opinions expressed by the sole director of the Offeror in his capacity as the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

The sole director of the Offeror and GEICO has accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Group) and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Proposal and the Scheme, and except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

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

PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME

The terms set out below are summarised from the Explanatory Memorandum. Disinterested Scheme Shareholders are encouraged to read the Scheme Document and the appendices in full.

1. Terms of the Proposal

Under the Scheme, the Cancellation Price of HK$6.88 per Scheme Share will be payable by the Offeror to the Scheme Shareholders in the form of:

(a) the Cash Cancellation Consideration for the cancellation and extinguishment of the Scheme Shares held by the Disinterested Scheme Shareholders; and

(b) the GEIRG Cancellation Consideration for the cancellation and extinguishment of the Scheme Shares held by GEIRG.

It was explicitly stated in the Scheme Document that the Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price. 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, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

If, after the date of the Announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the net amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital during the Offer Period in relation to the Proposal. As at the Latest Practicable Date, there is no outstanding dividend in respect of the Shares that has been announced but not yet paid.

2. Total consideration

On the basis of the Cancellation Price of HK$6.88 per Scheme Share and there being 1,660,205,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK$11,422,210,400.

Pursuant to the Share Swap Undertaking, GEIRG has undertaken and agreed to the cancellation and extinguishment of its 1,151,268,000 Shares under the Scheme in exchange for the GEIRG Cancellation Consideration in the amount of HK$7,920,723,840, being the Cancellation Price multiplied by 1,151,268,000, which will be satisfied by the Offeror crediting as fully paid 100 nil-paid Offeror Shares (representing 100% of the issued share capital of the Offeror) held by GEICO at the direction of GEIRG. In accordance with the Rollover Arrangement, the aggregate of 181,720,000 Shares held by the Founder Family Members and RVJD STAR Company will not form part of the Scheme Shares and will not be cancelled and extinguished on the Effective Date.

As a result, based on the 327,217,000 Scheme Shares (representing approximately 19.71% of the total issued Shares) held by the Disinterested Scheme Shareholders as at the Latest Practicable Date, the Cash Cancellation Consideration payable under the Proposal is HK$2,251,252,960.

3. Conditions of the Proposal and the Scheme

The Proposal and the Scheme will only become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions, on or before the Long Stop Date (i.e. 31 December 2023 or such later date as may be agreed by the Offeror and the Company and as permitted by the Executive), failing which the Proposal and the Scheme will lapse.

Some of the key Conditions include: (i) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting with any Scheme Shareholder being parties acting in concert with the Offeror (including GEIRG) abstaining from voting; and (ii) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting, and the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Disinterested Scheme Shareholders.

Details of the Conditions are set out in the section headed "Conditions of the Proposal and the Scheme" in the Explanatory Memorandum. As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as the case may be).

4. The Share Swap Undertaking

On 28 May 2023, GEIRG entered into the Share Swap Undertaking in favour of the Offeror. Pursuant to the Share Swap Undertaking, subject to the Scheme becoming effective, GEIRG will cancel and extinguish the 1,151,268,000 Scheme Shares (representing approximately 69.35% of the total issued Shares as at the Latest Practicable Date) held by it, in exchange for the GEIRG Cancellation Consideration of HK$7,920,723,840, which is to be satisfied by the Offeror crediting as fully paid 100 nil-paid Offeror Shares (representing 100% of the issued share capital of the Offeror) held by GEICO at the direction of GEIRG. For details of the Share Swap Undertaking, please refer to the section headed "Share Swap Undertaking" in the Explanatory Memorandum.

5. Rollover Arrangement

As at the Latest Practicable Date, Mr. Wang, Mrs. Wang, Ms. Janice Wang and RVJD STAR Company, respectively, directly holds 4,000,000 Shares, 250,000 Shares, 11,590,000 Shares and 165,880,000 Shares, representing approximately 0.24%, 0.01%, 0.70% and 9.99% of the Shares in issue.

Mr. Wang is the Chairman of the Board and an executive Director. Mrs. Wang is the spouse of Mr. Wang. Ms. Janice Wang is a daughter of Mr. Wang and Mrs. Wang.

As at the Latest Practicable Date, RVJD STAR Company is a wholly-owned subsidiary of RVJD Holding Limited, which is wholly-owned by the RVJD STAR Trust, a discretionary trust founded by Mr. Wang and Mrs. Wang. The discretionary objects of the RVJD STAR Trust are the nominated children of Mr. Wang and Mrs. Wang and the remoter issue of the marriage of the nominated children whether or not now living and the trustee of the RVJD STAR Trust is Cititrust Private Trust (Cayman) Limited.

The Offeror intends to allow the Founder Family Members and RVJD STAR Company to retain their respective shareholdings in the Company after the Scheme becoming effective pursuant to the Rollover Arrangement.

On 28 May 2023, the Offeror, the Founder Family Members and RVJD STAR Company entered into the Rollover Agreement. For further details of the Rollover Agreement, please refer to section headed "Rollover Arrangement" in the Explanatory Memorandum.

The Founder Family Members are close family members and RVJD STAR Company is a related trust founded by Mr. Wang and Mrs. Wang, and therefore the Rollover Arrangement is not considered to be a special deal under Rule 25 of the Takeovers Code.

As the Rollover Agreement was entered into by the Offeror and the Founder Family Members and RVJD STAR Company, and none of the Company or member of the Group is a party to the Rollover Agreement, the Rollover Arrangement does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

6. Irrevocable Undertaking

As at the Latest Practicable Date, the Offeror has received the Irrevocable Undertaking to support the Proposal and the Scheme from the Undertaking Shareholder, which, save as a Shareholder, (i) has no relationship with the Offeror and the Offeror Concert Parties; and (ii) is independent of and not acting in concert with the Offeror and the Offeror Concert Parties. The Undertaking Scheme Shares held by the Undertaking Shareholder represent approximately 7.18% of the Shares in issue as at the Latest Practicable Date. For details of the Irrevocable Undertaking, please refer to the section headed "Irrevocable Undertaking" in the Explanatory Memorandum.

INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES

The Offeror

The Offeror is a company incorporated in the Cayman Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, the Offeror is wholly-owned by GEICO.

GEICO

GEICO is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, GEICO is wholly-owned by the Family Trust.

As at the Latest Practicable Date, GEICO, through GEIRG, indirectly holds approximately 69.35% of the entire issued share capital of the Company and is accordingly the controlling shareholder of the Company.

The Family Trust

The Family Trust is a trust founded by Mr. Wang and Mrs. Wang and established under the laws of California, the U.S.. Mr. Wang, Mrs. Wang and their two daughters including Ms. Janice Wang are beneficiaries of the Family Trust.

The Founder Family Members

The Founder Family Members comprise Mr. Wang, the Chairman of the Board and an executive Director, Mrs. Wang, the spouse of Mr. Wang, and Ms. Janice Wang, a daughter of Mr. Wang and Mrs. Wang.

RVJD STAR Company

RVJD STAR Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, RVJD STAR Company is wholly-owned by RVJD Holding Limited, which is in turn wholly-owned by the RVJD STAR Trust.

The RVJD STAR Trust is a discretionary trust founded by Mr. Wang and Mrs. Wang and established under the laws of the Cayman Islands. Cititrust Private Trust (Cayman) Limited is the trustee of the RVJD STAR Trust and the discretionary objects of the RVJD STAR Trust are the nominated children of Mr. Wang and Mrs. Wang and the remoter issue of the marriage of the nominated children whether or not now living.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business information, financial performance and prospects of the Group

A. Business of the Group

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which have been listed on the Main Board of the Stock Exchange since 21 March 2006. The Group is principally engaged in the lifestyle centre and stylish department store chain development and operation, property development and hotel operation in the PRC.

As stated in the 2022 Annual Report, since the opening of the first store, Nanjing Xinjiekou Store, and after 28 years of operation, the Group has opened 30 stores in the PRC with a total gross floor area ("**GFA**") of 2,503,623 square metres ("**sq.m.**") and a total counter area of 1,178,623 sq.m. as at 31 December 2022. These stores are located in 17 cities across four provinces of Jiangsu, Anhui, Shaanxi, and Yunnan, and the municipality of Shanghai, covering Shanghai, Nanjing, Suzhou, Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Danyang, Kunshan, Wuhu, Ma'anshan, Huaibei, Xi'an and Kunming.

As at 31 December 2022, among the 30 stores, the Group was operating 15 comprehensive lifestyle centres with a total GFA of 1,971,090 sq.m.. The portion on lifestyle and amenities occupies 45.7% of the Group's total counter area. As disclosed in the 2022 Annual Report, the Group has three reportable segments, namely retail operations, property development and hotel operations and other operations.

B. Financial information of the Group

Set forth below is a summary of the audited consolidated financial information of the Group for FY2020, FY2021 and FY2022 as extracted from the 2021 Annual Report and the 2022 Annual Report. Further details of the financial information of the Group are set out in Appendix I to the Scheme Document.

Table 1: Consolidated financial results of the Group

	1H2023	1H2022	FY2022	FY2021	FY2020
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*	*(Audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**2,786,882**	**2,786,224**	**5,331,582**	**5,717,498**	**5,588,268**
– Commission income from concessionaire sales	*903,683*	*891,781*	*1,735,673*	*2,024,173*	*1,848,881*
– Direct sales	*1,303,147*	*1,208,954*	*2,287,618*	*2,474,534*	*2,639,837*
– Sales of properties	*26,815*	*138,421*	*230,377*	*122,029*	*196,664*
– Management fees	*14,151*	*19,308*	*39,647*	*46,785*	*43,027*
– Hotel operations	*11,067*	*8,950*	*18,219*	*20,603*	*20,073*
– Automobile services fees	*–*	*–*	*–*	*1,510*	*17,998*
– Rental income	*528,019*	*518,810*	*1,020,048*	*1,027,864*	*821,788*
Other income, gains and losses	261,959	138,934	258,642	926,056	1,118,153
Changes in inventories of merchandise	(1,139,887)	(1,042,890)	(1,990,391)	(2,119,394)	(2,270,764)
Cost of properties sold	(25,316)	(99,252)	(171,134)	(83,586)	(130,172)
Employee benefits expense	(156,802)	(162,955)	(326,188)	(380,983)	(336,273)
Depreciation and amortisation of property, plant and equipment and intangible asset	(189,981)	(191,733)	(384,144)	(386,586)	(378,126)
Depreciation of right-of-use assets	(49,429)	(37,642)	(79,408)	(76,270)	(70,238)
Rental expenses	(203,001)	(197,291)	(383,921)	(396,283)	(306,018)
Other expenses	(315,509)	(316,158)	(681,040)	(780,418)	(706,724)
Share of results of associates	5,199	6,726	12,948	14,125	(55,021)
Share of results of joint ventures	(170)	(198)	435	(955)	(2,126)
Finance income	130,728	56,351	150,001	79,616	57,362
Finance costs	(241,714)	(149,879)	(370,709)	(262,849)	(325,369)
Profit before taxation	**862,959**	**790,237**	**1,366,673**	**2,249,971**	**2,182,952**
Income tax expense	(285,272)	(319,971)	(603,817)	(637,697)	(629,056)
Profit for the year/period	**577,687**	**470,266**	**762,856**	**1,612,274**	**1,553,896**

Sources: the 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Results

FY2021 vs FY2020

The Group recorded a total revenue of approximately RMB5,717.5 million for FY2021, representing a slight year-on-year ("**YoY**") increase of approximately 2.3% or RMB129.2 million as compared to the total revenue of approximately RMB5,588.3 million for FY2020. The revenue of the Group is mainly derived from the amount of gross sales proceeds ("**GSP**") which represent the gross amount, including the related value-added tax and sales taxes, charged to/received from customers. The Group generated most of its revenue from direct sales and concessionaire sales. In FY2021, GSP of the Group increased to approximately RMB17,188.0 million, representing a YoY increase of approximately 4.6% or RMB762.2 million which was mainly attributable to the net effects of: (i) a YoY increase of approximately 6.1% in retail same-store sales amid the resurgence of the COVID-19 pandemic (the "**Pandemic**") in various regions; and (ii) the decrease in sales of properties by approximately RMB76.7 million or 38.1% to RMB124.7 million since no material delivery of property units was carried out in FY2021 whereas the Group delivered the units in the remaining portion of a pre-sold property project to purchasers in FY2020. The increase in revenue is generally in line with the increase in GSP.

Other income mainly comprised of various miscellaneous operating income received from retail tenants and customers, including overall administration and management fees from concessionaire and rental tenants and credit card handling fees from retail customers, while other gains and losses mainly comprised of non-operating gains and losses such as: (i) net foreign exchange gain and loss resulting from the translation of foreign currencies denominated assets and liabilities into RMB; (ii) the gains and losses and dividend income derived from the Group's investment in securities; (iii) the changes in the fair value of the Group's investment properties; and (iv) other one-off or non-recurring gains and losses.

While other income increased by approximately 17.8% or RMB113.3 million to RMB751.0 million which was mainly attributable to the increase in overall administration and management fees income received from retail tenants since the Group adjusted its pricing policy in the second half of 2019. The net amount of other gains and losses decreased by approximately RMB305.4 million to RMB175.0 million from approximately RMB480.4 million for FY2020 which was primarily due to the net effects of: (i) the decrease in net foreign exchange gain by RMB260.5 million to RMB144.7 million from RMB405.2 million recognised in FY2020; (ii) the fair value change of the Group's unquoted fund investment at fair value through profit or loss of RMB59.4 million, resulting from a fair value gain of RMB32.0 million in FY2020 to a fair value loss of RMB27.4 million recognised in FY2021; and (iii) the increase in loss recognised in relation to store suspension by RMB0.4 million to RMB81.3 million from RMB80.9 million recognised in FY2020.

Changes in inventories of merchandise and cost of properties sold represented the cost of goods sold under the direct sales business model and the cost of properties sold. Changes in inventories of merchandise and cost of properties sold decreased by approximately RMB198.0 million or 8.2% to approximately RMB2,203.0 million for FY2021 which was generally in line with the decrease in direct sales and sales of properties.

Profit for FY2021 increased by RMB58.4 million or 3.8% from approximately RMB1,553.9 million in FY2020 to approximately RMB1,612.3 million in FY2021 while net profit margin, which represents net profit as a percentage of GSP, decrease slightly from approximately 10.6% in FY2020 to approximately 10.5% in FY2021.

FY2022 vs FY2021

In FY2022, the Group's total revenue decreased by approximately RMB385.9 million or 6.7% from approximately RMB5,717.5 million for FY2021 to approximately RMB5,331.6 million. GSP of the Group decreased by approximately 13.0% or RMB2,236.9 million from approximately RMB17,188.0 million in FY2021 to approximately RMB14,951.1 million in FY2022 which was mainly attributable to the net effects of (i) the YoY decrease of approximately 14.3% in retail same-store sales amid the resurgence of regional outbreaks of the Pandemic in various cities of China which resulted in the decrease in customer traffic and weakened consumer sentiment; and (ii) the increase in sales of properties by approximately RMB104.0 million or 83.4% to RMB228.8 million, which represented the delivery of a portion of the pre-sold units in a property project to purchasers during FY2022. The decrease in revenue is generally in line with the decrease in GSP.

Other income amounted to approximately RMB763.2 million in FY2022 which remained relatively stable compared with that of approximately RMB751.0 million in FY2021. However, the net amount of other gains and losses decreased significantly by approximately RMB679.5 million to a net loss of RMB504.5 million from a net gain of RMB175.0 million for FY2021 which was primarily due to the net effects of: (i) the change from a net foreign exchange gain of approximately RMB144.7 million recognised in FY2021 to a net foreign exchange loss of approximately RMB567.1 million in FY2022, representing a net difference of approximately RMB711.8 million; (ii) the decrease in investment income from structured bank deposits by approximately RMB58.8 million from approximately RMB116.7 million recognised in FY2021 as the Group deployed more surplus capital to bank deposits during FY2022; (iii) the fair value change of the Group's unquoted fund investment from a loss of approximately RMB27.4 million recognised in FY2021 to a gain of approximately RMB6.0 million in FY2022, representing a net difference of approximately RMB33.4 million; and (iv) the decrease in loss recognised in relation to store suspension by approximately RMB80.6 million to approximately RMB8.0 million from approximately RMB88.6 million recognised in FY2021.

Changes in inventories of merchandise and cost of properties sold decreased by approximately RMB41.5 million or 1.9% YoY to approximately RMB2,161.5 million for FY2022. Such decrease was generally in line with the net decrease in direct sales and increase in sales of properties.

Resulting from the net effects of, among others, the factors as discussed above, profit for FY2022 decreased significantly by approximately RMB849.4 million or 52.7% YoY to approximately RMB762.9 million. Further, net profit margin also decreased significantly from approximately 10.5% for FY2021 to approximately 5.7% for FY2022.

1H2022 vs 1H2023

In 1H2023, the Group's total revenue remained stable at approximately RMB2,786.9 million compared with that of approximately RMB2,786.2 million for 1H2022. GSP of the Group increased slightly by approximately 3.5% or RMB272.3 million from approximately RMB7,881.5 million in 1H2022 to approximately RMB8,153.8 million in 1H2023 which was mainly attributable to the net effects of (i) the YoY increase of approximately 4.3% in retail same-store sales amid the optimisation of China's Pandemic prevention and control measures since the end of 2022 which resulted in the increase in customer traffic and recovery of consumer sentiment; and (ii) the decrease in sales of properties by approximately RMB111.6 million or 80.9% to approximately RMB26.4 million since no material delivery of property units was carried out in 1H2023 whereas the Group delivered a comparatively larger proportion of the pre-sold units in a property project to purchasers in 1H2022.

Other income increased by approximately RMB9.9 million or 2.7% to approximately RMB378.8 million which was generally in line with the increase in sales. The net loss of other gains and losses decreased by approximately RMB113.2 million to approximately RMB116.8 million in 1H2023 which was primarily due to: (i) the decrease in a net foreign exchange loss by approximately RMB189.6 million to approximately RMB122.4 million in 1H2023; (ii) the decrease in investment income from structured bank deposits by approximately RMB47.0 million from approximately RMB51.0 million recognised in 1H2022 to approximately RMB4.0 million in 1H2023 due to the decrease in the relevant deposit rates and the Group has deployed more of its surplus capital to bank deposits during the period under review; (iii) a fair value change of the Group's unquoted fund investment at fair value through profit or loss ("**FVTPL**") from a gain of approximately RMB29.4 million recognised in 1H2022 to a loss of approximately RMB0.7 million in 1H2023, representing a net difference of approximately RMB30.1 million; and (iv) the increase in fair value loss of investment properties from approximately RMB4.3 million recognised in 1H2022 to approximately RMB24.4 million in 1H2023.

Changes in inventories of merchandise and cost of properties sold increased slightly by approximately RMB23.1 million or 2.0% YoY to approximately RMB1,165.2 million for 1H2023. Such increase was generally in line with the net increase in direct sales and decrease in sales of properties.

Resulting from the net effects of, among others, the factors as discussed above, profit for 1H2023 increased by approximately RMB107.4 million or 22.8% YoY to approximately RMB577.7 million. The net profit margin increased slightly from approximately 6.7% for 1H2022 to approximately 8.0% for 1H2023.

Table 2: Summary of the consolidated financial positions of the Group

	As at 30 June	As at 31 December	
	2023	**2022**	**2021**
	(Unaudited)	*(Audited)*	*(Audited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	7,864,702	8,016,284	8,308,714
Right-of-use assets	2,244,378	2,411,704	2,541,874
Investment properties	2,436,000	2,472,670	2,506,671
Other non-current assets	566,049	579,520	558,931
Total non-current assets	**13,111,129**	**13,480,178**	**13,916,190**
Current assets			
Properties under development for sale	1,187,138	1,582,768	1,551,987
Trade and other receivables	787,905	1,349,455	624,410
Financial assets at FVTPL	1,590,495	189,017	90,927
Cash and cash equivalents	6,705,066	7,814,741	7,651,382
Other current assets	1,582,043	1,235,859	1,127,281
Total current assets	**11,852,647**	**12,171,840**	**11,045,987**
Current liabilities			
Trade and other payables	3,365,186	3,271,187	4,116,750
Prepayments from customers	3,491,199	3,608,112	3,383,151
Bank loans	4,836,561	281,203	103,918
Senior notes	–	2,634,667	–
Other current liabilities	1,041,136	954,084	1,083,121
Total current liabilities	**12,734,082**	**10,749,253**	**8,686,940**
Net current assets/(liabilities)	**(881,435)**	**1,422,587**	**2,359,047**
Non-current liabilities			
Bank loans	780,000	3,945,813	3,673,788
Senior notes	–	–	2,406,167
Deferred tax liabilities	981,826	958,381	900,744
Other non-current liabilities	501,529	615,185	657,990
Total non-current liabilities	**2,263,355**	**5,519,379**	**7,638,689**
Net asset value ("NAV")	**9,966,339**	**9,383,386**	**8,636,548**

	As at 30 June	As at 31 December	
	2023	**2022**	**2021**
	(Unaudited)	*(Audited)*	*(Audited)*
	RMB'000	*RMB'000*	*RMB'000*
Capital and reserves			
Share capital	175,146	175,146	175,146
Reserves	9,688,452	9,105,451	8,373,013
Equity attributable to owners of the Company	9,863,598	9,280,597	8,548,159
Non-controlling interests	102,741	102,789	88,389
Total equity	**9,966,339**	**9,383,386**	**8,636,548**

Sources: the 2022 Annual Report and the 2023 Interim Results

The Group's total assets as at 30 June 2023 mainly consisted of: (i) property, plant and equipment; (ii) cash and cash equivalents; (iii) investment properties; (iv) right-of-use assets; and (v) financial assets at FVTPL. The total assets of the Group as at 30 June 2023 recorded a slight decrease of approximately RMB688.2 million or 2.7% which was mainly attributable to the decrease in trade and other receivables and cash and cash equivalents and was partially offset by the increase in financial assets at FVTPL and completed properties for sales.

The Group's total liabilities as at 30 June 2023 mainly consisted of: (i) bank loans; (ii) prepayments from customers; and (iii) trade and other payables. The total liabilities of the Group recorded a decrease of approximately RMB1,271.2 million or 7.8% as at 30 June 2023 which was mainly attributable to the full redemption of the senior notes which was partially offset by the increase in bank loans. The gearing ratio, which is calculated by the Group's total borrowings divided by its total assets, decreased from 26.7% as at 31 December 2022 to 22.5% as at 30 June 2023.

The NAV attributable to owners of the Company increased by approximately RMB583.0 million or 6.3%, from approximately RMB9,280.6 million as at 31 December 2022 to approximately RMB9,863.6 million as at 30 June 2023.

C. Property valuation

The valuation of the Group's property interests (the "**Properties**") as at 31 May 2023 (the "**Valuation Date**") have been conducted by the Independent Valuer. The Valuation Report is enclosed in Appendix II to the Scheme Document. According to the Valuation Report, the total market value in existing states of the Properties attributable to the Group was approximately RMB27.8 billion as at the Valuation Date (the "**Valuation**"), which is made up of approximately RMB23.4 billion worth of Groups I to IV Properties and approximately RMB4.4 billion worth of Group V Properties, being Properties contracted to be acquired by the Group with incomplete titles, and portions of several Properties which had not obtained proper title certificates as at the Valuation Date, but the Independent Valuer had indicated the market value of these Properties for reference purpose.

In compliance with the requirements under Note (1)(d) to Rule13.80 of the Listing Rules, we have also assessed the qualifications and experience of the responsible person of the Independent Valuer for its engagement as the independent valuer for the Valuation. We note that Mr. Eddie Yiu, the responsible person in charge of the Valuation, is, among others, a member of Hong Kong Institute of Surveyors, who has 29 years of experience in the valuation of properties in Hong Kong, the PRC and other Asian countries including Korea and Philippines. After our enquiry, we understand that the Independent Valuer had provided valuation services to the Company during annual audits prior to the current engagement. We have confirmed with the Independent Valuer that it has no other relationship with the Company which may cause concerns with respect to its independence so we are satisfied that the Independent Valuer is independent from the Company.

In addition, we have also reviewed the Independent Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation. Nothing has come to our attention that the Company has made any formal or informal representation to the Independent Valuer that contravenes our understanding of the Valuation. As noted in the Valuation Report that the Valuation has been prepared in accordance with RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, the International Valuation Standards published by the International Valuation Standards Council and are in compliance with the Listing Rules and the Takeovers Code.

We have reviewed the Valuation Report, interviewed the Independent Valuer and discussed with them the rationale of adopting different valuation methodologies, bases and assumptions in valuing different Properties. We have also reviewed the Valuation Report and the working papers. We noted that the Independent Valuer has adopted income approach, discounted cash flow approach, market approach and cost approach as well as certain combinations of the aforesaid valuation methodologies in valuing different categories of the Properties. Set out below are the summary of valuation methodologies adopted by the Independent Valuer for the Valuation.

Table 3: Summary of valuation methodologies

Types of Properties	Valuation methodology
Properties held and under operation by the Group (i.e. Groups I and V Properties as set out in the Valuation Report)	In valuing the subject Properties, the Independent Valuer has adopted an income approach based on the capitalisation of the existing rental income and/or reversionary rental income potential achievable in the existing market as at the Valuation Date at an appropriate market yield as the capitalisation rate. As noted from the Valuation Report and our discussion with the Independent Valuer, they assessed the rental value by making reference to the existing rental level. Where appropriate, reference has also been made to the comparable sales transaction within the same city. The Independent Valuer applied an appropriate capitalisation rate to the rental income based on the location, risks and characteristics of the subject Properties. We note Group V Properties are also Properties held and under operation by the Group, which their titles are in the process of being transferred to the Group. For these Properties, the Group has entered into sale and purchase agreements with relevant owner of the Properties. Since the Group has not yet obtained title certificates of these Properties as at the Valuation Date, the legal titles of the Properties have not been vested in the Group, and as such the Independent Valuer had attributed no commercial value to these Properties. Nevertheless, for reference purpose, the Independent Valuer had indicated the market value these Properties assuming the relevant title certificates for these Properties were obtained and these Properties were freelytransferrable in the market.

Types of Properties	Valuation methodology
Properties held under development by the Group (i.e. Group III Properties as set out in the Valuation Report)	In valuing the subject Properties, the Independent Valuer assumed that the subject Properties will be developed and completed in accordance with the latest development proposals provided to the Independent Valuer by the Group. The Independent Valuer has adopted the market approach for the land portion and cost approach to the building portion under development of the subject Properties. As noted from the Valuation Report and our discussion with the Independent Valuer, for the land portion, the Independent Valuer made reference to comparable sales evidence as available in the relevant market. For the building portion under development, the Independent Valuer took into account: (i) the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date by making reference to the historical record provided by the Group; and (ii) the remainder of the cost and fees expected to be incurred for completing the development as provided by the Group and cross-checked against with other projects of the Independent Valuer with similar development.
Property held and under operation by the Group that is a hotel (i.e. Group I Property as set out in the Valuation Report)	In valuing the subject Property, the Independent Valuer has adopted the discounted cash flow approach by discounting future net cash flow of the subject Property to its present value by using an appropriate discount rate that reflects the rate of return required by a third-party investor for an investment of this type. As noted from the Valuation Report and our discussion with the Independent Valuer, the Independent Valuer considered the actual average daily rent in the actual daily operation and operation forecast provided by the Company and also compared with similar developments which are located in the similar areas. The Independent Valuer also considered the occupancy rate in the forecast by making reference to the historical occupancy of the subject Property. The forecast covered a 10-year holding period with cashflow forecast and the reversionary value in year eleven and discounted by an appropriate discount rate to derive a net present value. The Independent Valuer then applied the discount rate after considering the location, risks and characteristics of the subject Property.

Types of Properties	Valuation methodology
Properties held for sale and future development by the Group (i.e. Groups II and IV Properties as set out in the Valuation Report)	In valuing the subject Properties, the Independent Valuer has adopted the market approach by assuming sale of the Properties in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. As noted from the Valuation Report and our discussion with the Independent Valuer, the Independent Valuer made reference to the comparable sales transactions for similar properties in the marketplace. Adjustments were made to compensate for differences between the comparable properties and the subject Properties in terms of the time of the comparable sales transactions, location and physical characteristics between the comparable properties and the subject Properties.

They have decided on the use of the specific valuation methodology based on a variety of considerations, namely, among others, the availability of market transactions of similar properties, the nature of the properties (whether they be hotel, commercial, office, residential, car parking properties or land parcels, etc.), the accepted approach of valuing similar properties and the prevailing investor requirements or expectations. In view of the above, the valuation methodologies adopted by the Independent Valuer are, in our opinion, commonly used and reasonable approaches in establishing the respective market values of the Properties.

D. Unaudited Adjusted NAV

In evaluating the Proposal, we have taken into account the Group's Unaudited Adjusted NAV, which is provided by the Company and calculated based on the unaudited NAV attributable to owners of the Company as at 30 June 2023, adjusted with reference to the Valuation as at the Valuation Date (i.e. 31 May 2023). Details of the adjustments are set out in the table below.

Table 4: Calculation of the Unaudited Adjusted NAV

	RMB million
Unaudited NAV of the Group attributable to owners of the Company as at 30 June 2023	9,863.6
Adjusted for:	
Add: Revaluation surplus arising from the Valuation[Note 1]	14,611.6
Less: Net tax as a result of the revaluation surplus of the Properties held by the Group based on the Valuation[Note 2]	(4,916.4)
Unaudited Adjusted NAV	19,558.8

	RMB million
Unaudited Adjusted NAV per Share:	
in RMB[Note 3]	RMB11.78
in HK$[Note 4]	HK$13.08
Cancellation Price	HK$6.88
Discount of the Cancellation Price to the Unaudited Adjusted NAV per Share	47.40%

Notes:

1. This represents the revaluation surplus calculated by comparing the fair value of the Properties held by the Group as set out in Appendix II to the Scheme Document, including the Properties that the Group has not yet obtained title certificates, with their corresponding book values as at 30 June 2023, after adjusting for relevant interests not attributable to the Group.

   The Independent Valuer has ascribed no commercial value to certain Properties that the Group has not yet obtained title certificates as at 31 May 2023. For indicative purpose only and assuming the relevant title certificates were obtained and such Properties were freely transferrable in the market, the aggregate market value of such Properties would be approximately RMB4,403.2 million.

   For the purpose of this analysis, such Properties have been included in the above calculation. These Properties mainly included (i) portions of Xinjiekou Store Block B that the Group has not yet obtained title certificates as at 31 May 2023 as legal title of property has not been vested in the Group, details of the transaction have been disclosed in the Company's announcement and circular dated 11 November 2009 and 2 December 2009, respectively; (ii) Kunshan Lifestyle Centre that the Group has not yet obtained title certificates as at 31 May 2023 as legal tile of property has not been vested in the Group, details of the transaction have been disclosed in the Company's announcement and circular dated 28 March 2011 and 21 April 2011, respectively; (iii) Nantong Lifestyle Centre that the Group has not yet obtained title certificates as at 31 May 2023 as legal title of property has not been vested in the Group; and (iv) underground basement floors, mainly underground car parks, which as advised by the Management after consulting with the Company's PRC legal adviser, separate title certificates would not be issued by the relevant authorities which with aggregate market value of approximately RMB128.2 million.

2. This represents the potential PRC taxes attributable to the valuation surplus on the Properties held by the Group.

3. It is calculated based on 1,660,205,000 Shares in issue as at the Latest Practicable Date.

4. An exchange rate of RMB1.00 to HK$1.1104 was used for illustration only

E. Prospects of the Group

According to "China's Department Stores Report 2022-2023" (the "**Industry Report**"), which collected and analysed data from more than 100 department store operators, published in March 2023 jointly issued by 中國百貨商業協會 (the China Commerce Association for General Merchandise), an association established in 1990 with the approval of 中華人民共和國民政部 (the Ministry of Civil Affairs of the PRC), and Fung Business Intelligence, an independent industry data provider established in 2000 in Hong Kong, 2022 was a turbulent year for the department store industry in the PRC marked by several observable trends as detailed below.

As noted in the Industry Report, China's total retail sales of consumer goods decreased by 0.2% YoY to RMB43.97 trillion in 2022. Of which, the retail sales of physical goods increased by 0.5% YoY, while the catering sales decreased by 6.3% YoY. However, the recurring outbreaks of the Pandemic caused major disruptions to the recovery in the consumer market. By quarter, total retail sales of consumer goods suffered a significant YoY drop in the second quarter of 2022 amid the outbreaks of the Pandemic in Shanghai and other provinces. The implementation of a series of consumption-boosting policies helped push the retail sales growth back to positive territory in the third quarter. However, COVID-19 resurgence and the subsequent adjustment of anti-epidemic measures led to a YoY decline in retail sales again in the fourth quarter of 2022.

As stated in the Industry Report, 85.9% of surveyed department store operators saw a decline in sales revenue in 2022. Among them, 26.3% had a revenue decrease of 10% or less and 31.3% had a decrease between 10% and 20%. As discussed above, the Group's total revenue in FY2022 decreased by approximately 6.7% YoY was in line, albeit somewhat fared better, as compared with the overall industry trend. Profits of department store operators were also down in 2022, with 86.6% of surveyed department store operators reporting a downturn. Among them, 27.8% saw a net profit decline of 10% or less, 15.5% saw a decline between 10% and 20% while 43.3% saw a decline of over 20% and 32% experiencing a net profit decrease of over 30%. As discussed above, the decrease in profit of the Group was largely consistent with the industry trend.

The Industry Report also provided major development issues and challenges of the department store industry such as lacklustre growth due to weak consumption. As stated in the Industry Report, 2022年中央經濟工作會議 (the 2022 Central Economic Work Conference*) pointed out that China's economic recovery is facing pressures from a shrinking demand, supply shocks, and weakening expectations. The consumer confidence index released by the National Bureau of Statistics of China dropped sharply to 86.7 in April 2022 and reached an all-time low in November 2022 since January 2015. As China has been adjusting its Pandemic measures, consumer confidence is expected to rebound in 2023. However, 76.9% of surveyed department store operators believe that insufficient spending power and sluggish growth are the main challenges faced by the department store industry.

As noted in "2023 China Consumer Insight and Market Outlook White Paper" (the "**Consumer White Paper**") issued by Deloitte China, the consumer confidence in China reached a historical low in 2022 and remained low which reflected a cautious attitude towards the economy and consumer trends. As further noted in the Consumer White Paper, a significant number of consumers reduced their willingness to spend on non-essential items such as luxury goods, toys, alcohol and tobacco while the willingness to spend on staples such as food and beverage, personal care, and household goods remained strong. As represented in the Consumer White Paper, the decline in spending on non-essentials is mainly attributed to the impact of the Pandemic on consumers' willingness or need to go out and consumers' attitudes towards spending.

As noted in the 2022 Annual Report, concessionaire sales accounted for most of the GSP in both FY2021 and FY2022 followed by direct sales. For the breakdown of GSP from concessionaire sales and direct sales, it was noted that the sales of: (i) apparel and accessories contributed; (ii) gold, jewellery and timepieces; (iii) outdoor, sports clothing and accessories; and (iv) supermarket operation (including sales of tobacco, wine and liquor) altogether contributed the majority of the total GSP in FY2021 and FY2022. As the aforementioned product categories are non-essential categories, the decrease in concessionaire sales, in terms of GSP, in FY2022 as noted in the 2022 Annual Report was in line with the industry trend as explained in the Consumer White Paper.

As noted in the 2022 Annual Report, the Group's GSP and revenue and profit from operations peaked in FY2018 but spiralled downward since FY2018. GSP of the Group amounted to almost RMB19 billion in FY2018 and decreased to less than RMB15 billion in FY2022. Revenue of the Group was more than RMB6.5 billion in FY2018 and decreased to less than RMB5.4 billion in FY2022. Profit from operations was more than RMB2.3 billion in FY2018 and decreased to less than RMB2.1 billion in FY2022. Although the Pandemic affected retail business in the PRC and the economic activities of the Group to a certain extent such as most of the Group's stores temporarily shortened their opening hours and/or were closed due to regional outbreaks of the Pandemic as stated in the 2022 Annual Report, we noted that the downward trend in the financial performance started well before the Pandemic. In particular, we noted the GSP and revenue and profits of the Industry Comparables (as defined below) followed a similar downward trend with varying degrees. As can be seen in the relevant analysis below, all of the Industry Comparables (as defined below) suffered losses during FY2022 except for one. According to the Industry Report, 74% of surveyed department store operators view online platforms and e-commerce as major challenges to the department store industry as they continue to affect offline retail. From e-commerce platforms such as Taobao and JD.com to live streaming platforms such as Douyin, online channels have continued to evolve and put pressure on offline retail enterprises. However, according to the Industry Report, the proportion of online retail has begun to stabilise over time – a trend that is expected to continue.

Last but not least, as commented by Deloitte in its "China economic outlook, February 2023", it was highlighted that the main risk currently faced by consumers remains the uncertainties stemming from the decelerating property market, not because the sector presents a systemic risk, but because consumers might hoard their savings if they do not see substantial upside to holding real estate as a financial asset. For the Group, since it also engages in property development at a relatively smaller scale, the downward pressure from both weak consumer confidence and a decelerating property market are both concerning to the Management.

Based on the above, we are of the view that the future prospects of the Group are mostly challenging, owing to (i) the difficulty and uncertainty in regaining consumer confidence back to pre-COVID levels which created an overall weak consumption environment for the sale of non-essential product categories which contributed the majority of the Group's GSP; and (ii) the ongoing challenges posed by online platforms and e-commerce to the industry.

2. Analysis on the terms of the Proposal and the Scheme

As set out in the Letter from the Board, the Cancellation Price has been determined on a commercial basis after taking into account, among other things, recent and historical traded prices of the Shares, the financial performance of the Company, the trading multiples of comparable companies listed on the Stock Exchange and the factors as set out in the section headed "Reasons for and benefits of the Proposal" in the Explanatory Memorandum in Part VI of the Scheme Document and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years.

A. Cancellation price comparisons

The Cancellation Price of HK$6.88 per Scheme Share cancelled and extinguished represents:

(i) a premium of approximately 6.17% over the closing price of HK$6.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 40.41% over the last traded price of HK$4.90 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 63.42% over the closing price of HK$4.21 per Share as quoted on the Stock Exchange on the Last Full Trading Day;

(iv) a premium of approximately 66.59% over the average closing price of approximately HK$4.13 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including on the Last Full Trading Day;

(v) a premium of approximately 61.50% over the average closing price of approximately HK$4.26 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including on the Last Full Trading Day;

(vi) a premium of approximately 55.30% over the average closing price of approximately HK$4.43 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including on the Last Full Trading Day;

(vii) a premium of approximately 49.89% over the average closing price of approximately HK$4.59 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including on the Last Full Trading Day;

(viii) a premium of approximately 54.61% over the average closing price of approximately HK$4.45 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including on the Last Full Trading Day;

(ix) a premium of approximately 45.15% over the average closing price of approximately HK$4.74 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including on the Last Full Trading Day;

(x) a premium of approximately 10.79% over the audited consolidated NAV attributable to owners of the Company of approximately HK$6.21 per Share as at 31 December 2022 (based on the audited consolidated equity attributable to owners of the Company of approximately RMB9,281 million (equivalent to approximately HK$10,305 million) as at 31 December 2022 and 1,660,205,000 Shares in issue as the Latest Practicable Date);

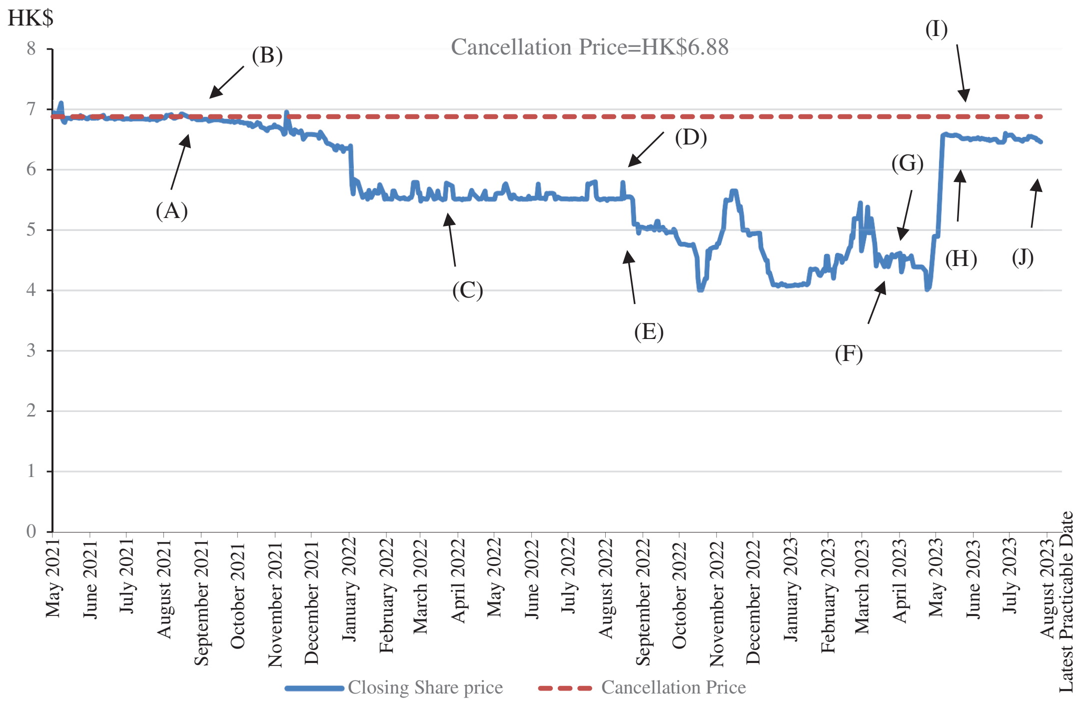
(xi) a premium of approximately 4.24% over the unaudited consolidated NAV attributable to owners of the Company of approximately HK$6.60 per Share as at 30 June 2023 (based on the unaudited consolidated equity attributable to owners of the Company of approximately RMB9,864 million (equivalent to approximately HK$10,953 million) as at 30 June 2023 and 1,660,205,000 Shares in issue as the Latest Practicable Date); and

(xii) a discount of approximately 47.40% to the Unaudited Adjusted NAV per Share of approximately HK$13.08 as at 30 June 2023.

B. Historical price performance of the Shares

Set out below is the chart showing the daily closing Share prices as quoted on the Stock Exchange during the period commencing from 24 May 2021, up to and including the Latest Practicable Date (the "**Review Period**"), being: (i) a two-year period prior to and including the Last Trading Day (the "**Pre-announcement Period**"); and (ii) the period subsequent to the Last Trading Day up to and including the Latest Practicable Date (the "**Post-announcement Period**"). In determining the length of the Review Period, we have considered: (i) if the length is too long such as more than two years prior to the Last Trading Day, it may not provide a good reference as it may not reflect the latest market conditions; and (ii) if the length is too short such as one year prior to the Last Trading Day, it may not be able to provide a holistic view of the general performance of the Share prices. Based on the above, we consider the Review Period we adopted is fair and reasonable.

Chart 1: Closing Share prices during the Review Period



Item	Date	Announcement
(A)	20 August 2021	Positive profit alert announcement
(B)	25 August 2021	Interim results announcement for 1H2021
(C)	23 March 2022	Annual results announcement for FY2021
(D)	10 August 2022	Profit warning announcement
(E)	18 August 2022	Interim results announcement for 1H2022
(F)	15 March 2023	Profit warning announcement
(G)	22 March 2023	Annual results announcement for FY2022
(H)	22 May 2023	Trading halt announcement
(I)	28 May 2023	Announcement
(J)	16 August 2023	2023 Interim Results

During the Review Period, the Shares traded between a range of the lowest of HK$4.01 per Share on 9 November 2022 and 11 November 2022 respectively to the highest of HK$7.10 per Share on 31 May 2021 with an average closing Share price of approximately HK$5.76 per Share. The Cancellation Price of HK$6.88 is mostly higher than the closing Share prices throughout the entire the Review Period and represents premiums of approximately 71.57% and 19.44% over the lowest and the average closing Share prices respectively during the Review Period.

We have reviewed the Share price movement during the Review Period and noted that the closing Share prices were in a general decreasing trend which decreased from HK$7.10 per Share on 31 May 2021 to HK$4.01 per Share on 11 November 2022, representing the highest and the lowest closing Share price during the Review Period respectively. During this period, we note that the Company released (i) the positive profit alert announcement on 20 August 2021 and the interim dividend announcement on 25 August 2021 in relation to the interim results of the Company for 1H2021; and (ii) the profit warning announcement on 10 August 2022 in relation to the interim results of the Company for 1H2022, the closing Share price then experienced some fluctuations during such period, while the closing Share prices still maintained the decreasing trend until 11 November 2022, when the Share price closed at HK$4.01 per Share.

The closing Share prices rose from HK$4.01 per Share on 11 November 2022 to HK$5.65 per Share on 9 December 2022. We observed that (i) Mr. Wang made purchases of an aggregate of 4,000 Shares on 3 November 2022, 7 November 2022 and 9 November 2022 as set out in the relevant disclosure of interests notices filed by him; (ii) the Hang Seng Index experienced a sharp increase from 17,120 on 11 November 2022 to 19,484 on 9 December 2022, representing an increase of approximately 13.8% in that particular month; and (iii) the Company had released the announcement in relation to the renewal of certain continuing connected transactions with GEICO and its subsidiaries on 29 November 2022. The closing Share prices then fell from HK$5.65 per Share on 9 December 2022 to HK$4.08 per Share on 20 January 2023. We observed that the closing Share price in this period did not correlate with the overall market with the Hang Seng Index continued its uptrend and further increased from 19,484 on 9 December 2022 to 21,812 on 20 January 2023. Save for the above, no notable event was identified during the relevant period. The closing Share prices then experienced fluctuations between the range of HK$4.02 and HK$5.45 per Share, and the Share price closed at HK$4.90 per Share at the Last Trading Date. During the aforesaid period, it was noted that the Company released the profit warning announcement in relation to the annual results of the Company for FY2022 on 15 March 2023 and released the annual results for FY2022 on 22 March 2023.

Trading in the Shares was suspended with effect from 2:55 p.m. on 22 May 2023 to 9:00 a.m. 29 May 2023. During the Post-announcement Period, the closing Share prices had been trading below the Cancellation Price within range of HK$6.45 per Share and HK$6.60 per Share. This price range is well above the average closing Share price during the Pre-announcement Period of HK$5.67 per Share. However, Disinterested Scheme Shareholders should note that there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

C. *Trading liquidity of the Shares*

The following table sets out the trading volume of the Shares during the Review Period:

Table 5: Trading volume of the Company

	Total trading volume *(No. of Shares)*	**No. of trading days**	**Average daily trading volume** *(No. of Shares)*	**Average daily trading volume to the total number of Shares in issue** *(Approximate)*[Note 1]	**Average daily trading volume to the number of Shares held by public Shareholders** *(Approximate)*[Note 2]
2021					
May	13,031,415	6	2,171,903	0.1308%	0.4133%
June	5,595,941	21	266,473	0.0161%	0.0510%
July	2,754,000	21	131,143	0.0079%	0.0252%
August	1,732,000	22	78,727	0.0047%	0.0151%
September	2,393,000	21	113,952	0.0069%	0.0219%
October	1,012,127	18	56,229	0.0034%	0.0108%
November	3,289,134	22	149,506	0.0090%	0.0290%
December	1,837,274	22	83,512	0.0050%	0.0162%
2022					
January	10,277,100	21	489,386	0.0295%	0.0954%
February	1,757,000	17	103,353	0.0062%	0.0202%
March	1,992,000	23	86,609	0.0052%	0.0169%
April	1,837,000	18	102,056	0.0061%	0.0200%
May	706,000	20	35,300	0.0021%	0.0069%
June	538,000	21	25,619	0.0015%	0.0050%
July	344,000	20	17,200	0.0010%	0.0034%
August	729,000	23	31,696	0.0019%	0.0062%
September	479,000	21	22,810	0.0014%	0.0045%
October	171,441	20	8,572	0.0005%	0.0017%
November	2,433,000	22	110,591	0.0067%	0.0217%
December	1,370,000	20	68,500	0.0041%	0.0135%
2023					
January	4,130,000	18	229,444	0.0138%	0.0451%
February	1,113,130	20	55,657	0.0034%	0.0109%
March	1,248,000	23	54,261	0.0033%	0.0107%
April	2,299,000	17	135,235	0.0081%	0.0266%
May	11,045,000	21	525,952	0.0317%	0.1033%
June	21,381,201	21	1,018,152	0.0613%	0.2001%
July	27,354,600	20	1,367,730	0.0824%	0.2687%
August (up to and including the Latest Practicable Date)	7,879,600	14	562,829	0.0339%	0.1106%

Source: Website of the Stock Exchange

Notes:

1. The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.

2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by the public Shareholders (i.e. Shareholders other than the substantial shareholders of the Company).

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 8,572 Shares to approximately 2,171,903 Shares, representing: (i) approximately 0.0005% to approximately 0.1308% of the total number of issued Shares; and (ii) approximately 0.0017% to approximately 0.4133% of the number of Shares held by public Shareholders. The average daily trading volume during the Review Period was 236,400 Shares.

The average daily trading volume during the Pre-announcement Period was approximately 133,631 Shares, representing approximately 0.0254% of the Shares held by the public Shareholders. The highest daily trading volume was recorded on 31 May 2021, the trading volume reached approximately 12.0 million Shares, representing approximately 2.2873% of the number of Shares held by the public Shareholders.

On the first trading day after the release of the Announcement on 28 May 2023, the daily trading volume of the Shares increased to approximately 7.0 million Shares from approximately 1.5 million Shares as recorded on the Last Trading Day, representing approximately 1.3717% of the number of Shares held by public Shareholders. This increase in the trading volume of the Shares would have been the initial market reaction to the Announcement. Although the trading volume of the Shares was active on 29 May 2023, it dropped significantly to approximately 1.1 million Shares on the next trading day (i.e. 30 May 2023), representing approximately 0.2089% of the number of Shares held by public Shareholders. The average daily trading volume during the Post-announcement Period was approximately 1,120,386 Shares, representing: (i) approximately 0.0675% of the total number of issued Shares; and (ii) approximately 0.2201% of the number of Shares held by the public Shareholders.

Given the thin trading liquidity of the Shares during the Review Period, in particular the Pre-announcement Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. In our opinion, given the fact that there were 327,127,000 Scheme Shares in issue as at the Latest Practicable Date that are held by the Disinterested Scheme Shareholders and the average daily trading volume during the Review Period was 236,400 Shares, to provide the Disinterested Scheme Shareholders with some perspective of what such thin trading liquidity of the Shares comes down to, meaning that it would take the Disinterested Scheme Shareholders approximately 1,384 trading days (or almost six years) to liquidate their entire shareholding positions. We therefore consider that the Proposal would provide the Disinterested Scheme Shareholders, particularly those who hold a large block of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied).

The relatively high level of trading volume during the Post-announcement Period in relation to, among others, the Proposal and the Scheme may not be sustainable if the Proposal and the Scheme lapse. The Proposal and the Scheme, therefore, provide an opportunity for the Disinterested Scheme Shareholders, especially those holding a large block of the Shares, to dispose of their entire holdings at a fixed cash price.

D. Industry Comparables

As discussed under the section headed "Principal factors and reasons considered" above, most of the Group's revenue was generated from lifestyle centre and department store chain development and operation in the PRC. We have identified companies which meet the following selection criteria: (i) whose shares are listed on the Main Board of Stock Exchange; (ii) more than half of the revenue was generated from the operation of department store; and (iii) more than half of the revenue was generated from the PRC. Based on the information extracted from the Bloomberg and the abovementioned selection criteria, we have exhaustively identified six comparable companies (the "**Industry Comparables**"). After considering that (i) the Industry Comparables are in a comparable industry as that of the Company; (ii) more than half of the revenue of both the Company and the Industry Comparables was generated from the operation of department stores and in the PRC; (iii) the shares of the Company and the Industry Comparables are both listed on the Main Board of the Stock Exchange; and (iv) the sample size of six Industry Comparable is considered a fair sample size large enough to provide statistically distributed results, we consider that the sample to be fair and representative for the purpose of our analysis.

It was noted that the market capitalisation of the Industry Comparables as at the Latest Practicable Date ranged from approximately HK$132.2 million to approximately HK$1,318.0 million while the implied market capitalisation of the Company (details of the calculation as shown below) under the Proposal amounts to approximately HK$11,422.2 million. We consider that the findings of the sample of the Industry Comparables is the closest resemblance and representation of the industry in which the Company operates. Given that there are only six samples in the population that operate in the comparable industry as that of the Company, we do not consider it justifiable to narrow down the samples by removing those Industry Comparables with smaller capitalisation because this would render the study lack of sample population to draw a meaningful conclusion.

In conducting our analysis, we compared the price-to-book multiple ("**P/B Multiple**") and the price-to-earnings multiple ("**P/E Multiple**") of the Company implied by the Cancellation Price against those of the Industry Comparables using the latest publicly available financial information. For the selection of the valuation multiple, given the fact that (i) the P/B Multiple is effective in valuing asset-heavy companies; (ii) the Company has been profitable during FY2022 and FY2021; and (iii) the P/E Multiple is a commonly-used valuation multiple to analyse companies which have a track record of generating profits, we consider that P/B Multiple and P/E Multiple are appropriate valuation multiples for our analysis. However, we noted from our analysis that five out of the six Industry Comparables recorded a net loss in the latest financial year. As such, the table below mainly include the analysis of P/B Multiple while that of P/E Multiple only serves as a reference.

Table 6: List of Industry Comparables

No.	Comparable Companies	Stock code	Principal activities	Closing market capitalisation as at the Latest Practicable Date *(Approximate HK$' million)*[Note 1]	Historical P/B Multiple *(Approximate times)*[Note 2,3]
1	Lifestyle China Group Limited	2136	Operation of department stores, retailing and related business as well as property investment in the PRC	1,318.0	0.13
2	New World Department Store China Limited	825	Operation of department stores and property investment in the PRC	1,163.4	0.32
3	Maoye International Holdings Limited ("**Maoye**")	848	Operation of department stores and property investment in the PRC	1,048.6	0.07
4	Parkson Retail Group Limited	3368	Operation of department stores, shopping malls, outlets and supermarkets in the PRC	337.2	0.09
5	Shirble Department Store Holdings (China) Limited	312	Operation of department stores in the PRC	177.1	0.14
6	Century Ginwa Retail Holdings Limited	162	Operation of department stores, a shopping mall and supermarkets in the PRC	132.2	0.08
				Maximum	0.32
				Minimum	0.07
				Median	0.11
				Average	0.14
	The Company				**1.11**[Note 4, 5]
				Adjusted Implied P/B Multiple	**0.53**[Note 6]

Sources: Website of the Stock Exchange and Bloomberg

Notes:

1. The market capitalisations as at the Latest Practicable Date.

2. The P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date, by the most recently published NAV attributable to the shareholders of the Industry Comparables.

3. The profit and NAV attributable to the shareholders were reported in RMB and converted into HK$ based on an exchange rate of RMB1.0 = HK$1.1104 (the "**Exchange Rate**"), for illustrative purposes.

4. The implied market capitalisation of the Company (the "**Implied Market Value**") under the Proposal of approximately HK$11,422.2 million is calculated by multiplying the Cancellation Price of HK$6.88 per Scheme Share and the number of issued Shares of 1,660,205,000 Shares as at the Latest Practicable Date.

5. The implied P/B Multiple (the "**Implied P/B Multiple**") of 1.11 times is calculated by dividing the Implied Market Value by the NAV attributable to owners of the Company as at 31 December 2022 which was reported in RMB and converted into HK$ based on the Exchange Rate, for illustrative purposes.

6. The adjusted implied P/B multiple (the "**Adjusted Implied P/B Multiple**") of 0.53 time is calculated by dividing the Cancellation Price by the Unaudited Adjusted NAV per Share.

As set out above, the P/B Multiples of the Industry Comparables ranged from approximately 0.07 time to approximately 0.32 time with the average and median P/B Multiples of approximately 0.14 time and 0.11 time respectively. Both the Implied P/B Multiple of 1.11 times and the Adjusted Implied P/B Multiple of 0.53 time of the Company are significantly higher than the maximum P/B Multiple of the Industry Comparables.

As mentioned above, there is only one Industry Comparable (i.e. Maoye) with a P/E Multiple of approximately 4.14 times calculated by dividing the market capitalisation of the Industry Comparable as at the Latest Practicable Date by the most recently published full financial year profit attributable to the shareholders of the Industry Comparable. It is noted that the implied P/E Multiple of 13.63 times (which is calculated by dividing the Implied Market Value by the net profit attributable to owners of the Company for FY2022 which was reported in RMB and converted into HK$ based on the Exchange Rate) is significantly higher than the only P/E Multiple available of the Industry Comparables.

In short, it is worth noting that all the Implied P/B Multiple, the Adjusted Implied P/B Multiple and the Implied P/E Multiple, compare favourably against the corresponding multiples of the Industry Comparables.

E. Privatisation Comparables

We have reviewed successful privatisation proposals to identify comparable privatisation transactions (the "**Privatisation Comparables**") in order to assess the fairness and reasonableness of the Cancellation Price.

After considering that: (i) the Cancellation Price was determined after taking into account other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years; (ii) the Company is listed on the Main Board; and (iii) the Proposal is by way of a scheme of arrangement, we have researched for the Privatisation Comparables: (i) of which the shares of the target company were listed on the Main Board of the Stock Exchange; (ii) which was also conducted by way of a scheme of arrangement; and (iii) which were announced during the period (the "**PC Review Period**") from two years prior to the Last Trading Date up to and including the Last Trading Date and were successfully privatised on or before the Latest Practicable Date.

Based on the above selection criteria, we have exhaustively identified 12 Privatisation Comparables which are considered sufficient and representative. It should be noted that the subject companies in the Privatisation Comparables were involved in industries which are not exactly identical to that of the Company. As such, the analysis should not be considered on an isolated basis but should be taken into account in totality with other factors for considering whether to accept the Proposal. Nevertheless, the Privatisation Comparables as a whole should provide us with a meaningful analysis of the recent market trend of the pricing of privatisation in the Hong Kong capital market. The table below illustrates the premiums or discounts of the cancellation prices offered by the corresponding offerors in each of the Privatisation Comparables over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements and the latest NAV/re-assessed NAV per share attributable to shareholders:

Table 7: Privatisation Comparables

Date of the announcement	Company name and stock code	Premium/ (discount) of cancellation price over/to the Last trading day	Premium/(discount) of cancellation price over/to the average of [Note 1]						Premium/(discount) of cancellation price over/to the re-assessed latest	
			Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 90 trading days	Last 180 trading days	NAV per share attributable to shareholders	NAV per share attributable to shareholders
		%	%	%	%	%	%	%	%	%
25 Jun 2021	Bestway Global Holding Inc. (3358)	27.00	29.51	32.70	47.00	62.80	71.80	101.80	10.90	0.00
12 Aug 2021	Good Friend International Holdings Inc. (2398)	50.00	73.61	73.81	61.58	49.01	38.89	28.39	31.58	(20.21)
25 Aug 2021	Suchuang Gas Corporation Ltd. (1430)	2.88	19.62	23.15	25.63	26.26	26.26	23.76	96.85	N/A
6 Sep 2021	Hop Hing Group Holdings Ltd. (47)	73.90	74.70	76.21	70.90	62.90	61.00	66.30	57.80	N/A
30 Sep 2021	C.P. Pokphand Co. Ltd. (43)	19.79	22.34	17.35	27.78	33.72	30.68	27.78	7.52	N/A
15 Oct 2021	Yorkey Optical International (Cayman) Ltd (2788) (“**Yorkey**”)[Note 2]	75.30	95.88	101.01	102.60	101.00	101.00	102.60	24.30	6.30
2 Dec 2021	Razer Inc. (1337)	5.62	5.22	2.32	18.99	38.90	42.40	27.96	487.50	N/A
14 Jan 2022	AKM Industrial Company Limited (1639)	15.19	22.15	28.44	25.57	28.44	39.90	60.00	70.88	N/A
9 Jun 2022	China VAST Industrial Urban Development Company Limited (6166)	30.43	29.17	28.82	31.39	36.90	42.07	30.66	(41.18)	(41.89)
7 Aug 2022	Lifestyle International Holdings Limited (1212) (“**Lifestyle**”)	62.34	75.93	81.88	70.11	58.66	48.08	30.01	287.54	(52.83)
24 Oct 2022	Kingston Financial Group Limited (1031)	47.78	48.37	47.57	39.41	33.27	29.87	10.99	(80.24)	(57.79)
21 Feb 2023	Jiangnan Group Limited (“**Jiangnan**”) (1366)	12.68	72.41	89.57	101.44	99.55	90.48	77.48	(63.78)	N/A

			Premium/(discount) of cancellation price over/to the average of [Note 1]						Premium/(discount) of cancellation price over/to the re-assessed latest	
Date of the announcement	**Company name and stock code**	**Premium/ (discount) of cancellation price over/to the Last trading day** %	**Last 5 trading days** %	**Last 10 trading days** %	**Last 30 trading days** %	**Last 60 trading days** %	**Last 90 trading days** %	**Last 180 trading days** %	**NAV per share attributable to shareholders** %	**NAV per share attributable to shareholders** %
	Maximum	75.30	95.88	101.01	102.60	101.00	101.00	102.60	487.50	6.30
	Minimum	2.88	5.22	2.32	18.99	26.26	26.26	10.99	(80.24)	(57.79)
	Average	35.24	47.41	50.24	51.87	52.62	51.87	48.98	74.14	(27.74)
	Median	28.72	38.94	40.13	43.21	43.96	42.24	30.34	27.94	(31.05)
	The Cancellation Price	40.41 [Note 3]	66.59 [Note 4]	61.50 [Note 4]	55.30 [Note 4]	49.89 [Note 4]	54.61 [Note 4]	45.15 [Note 4]	10.79 [Note 5]	(47.40) [Note 6]

Sources: Website of the Stock Exchange and Bloomberg

Notes:

1. Premiums/(discounts) shown above for certain trading periods are independently calculated as they are not disclosed in their respective scheme documents and they are subject to rounding differences.

2. As noted in the announcement of Yorkey Dated 4 January 2022, the cancellation price was increased from HK$0.88 to HK$0.999 per scheme share. As such, the analysis is based on the final cancellation price, being HK$0.999 per scheme share.

3. The Last Trading Day was not a full trading day as the trading in the Shares was halted at 2:55 p.m. on 22 May 2023 as stated in the announcement of the Company dated 22 May 2023. As stated in the Letter from the Board, the Cancellation Price represented a premium of approximately 63.42% over the closing price of HK$4.21 per Share on the Last Full Trading Day.

4. It refers to average closing price of based on the daily closing prices as quoted on the Stock Exchange for the corresponding number of trading days up to and including on the Last Full Trading Day.

5. It is the Implied P/B Multiple.

6. It is the Adjusted Implied P/B Multiple.

As shown in the table above, the premiums represented by the Cancellation Price over the Last Trading Day, 5, 10, 30, 60, 90 and 180 trading days are all within ranges of the premiums of the Privatisation Comparables. Further, the premiums represented by the Cancellation Price over the Last Trading Day, last 5, 10, 30 and 90 trading days are higher than the corresponding average and median premiums of the Privatisation Comparables. Although the premiums represented by the Cancellation Price over the last 60 and 180 trading days are slightly lower than the corresponding average but higher than the corresponding median premiums of the Privatisation Comparables. It was noted that the Last Trading Day was not a full trading day due to trading halt in the Shares in the afternoon trading session on the Last Trading Day while the last trading day of all of the Privatisation Comparables (except for Yorkey and Jiangnan) was a full trading day. The premium of approximately 63.42% represented by the Cancellation Price over the Last Full Trading Day is significantly higher than the average and median premiums of the Cancellation Price over the last trading day of the Privatisation Comparables.

The premium represented by the Cancellation Price to the latest audited NAV attributable to owners of the Company of 10.79% and the discount represented by the Cancellation Price to the Unaudited Adjusted NAV per Share of approximately 47.40% are within the corresponding range of the Privatisation Comparables although they are below the corresponding average and median premium and discount of the Privatisation Comparables. It is worth noting that Lifestyle is considered the most comparable Privatisation Comparable as it was mainly engaged in the operation of department stores, property development and investment in Hong Kong and the United Kingdom, and the discount represented by the Cancellation Price to the Unaudited Adjusted NAV per Share of approximately 47.40% is less than that of the discount of 52.83% for Lifestyle.

Based on the above illustration, we note that the Cancellation Price is supported by most of the measures such as the Last Trading Day, last 5, 10, 30 and 90 trading days while it did not compare too well against the Privatisation Comparables under few measures such as last 60 days, 180 days, the premium to the latest audited NAV attributable to owners of the Company and the discount to the Unaudited Adjusted NAV per Share.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular:

(i) the future prospects of the Group are mostly challenging, owing to (i) the difficulty and uncertainty in regaining consumer confidence back to pre-COVID levels which created an overall weak consumption environment for non-essential product categories which contributed the majority of the Group's GSP; and (ii) the ongoing challenges posed by online platforms and e-commerce to the industry;

(ii) the Cancellation Price represents premiums over the prevailing market prices of the Shares, in particular, the Cancellation Price has been, at most of the time during the Review Period, higher than the observed closing Share prices. In addition, the Cancellation Price of HK$6.88 per Scheme Share generally fares better than the average closing price of the Shares during the Pre-announcement Period of HK$5.67 per Share;

(iii) given the thin trading volume of the Shares (i.e. the average daily trading volume during the Review Period was less than 250,000 Shares), as discussed above, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Disinterested Scheme Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Proposal provides the Disinterested Scheme Shareholders, particularly those who hold a large block of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied);

(iv) both the Implied P/B Multiple of 1.11 times and the Adjusted Implied P/B Multiple of 0.53 time of the Company are significantly above the maximum of the P/B Multiples of the Industry Comparables and are markedly higher than the average and median P/B Multiples of the Industry Comparables of approximately 0.14 time and 0.11 time respectively;

(v) the premiums represented by the Cancellation Price over the Last Trading Day, 5, 10, 30, 90 trading days of approximately 40.41%, 66.59%, 61.50%, 55.30% and 54.61% are across the board higher than the corresponding average and median premiums of the Privatisation Comparables, the premiums represented by the Cancellation Price over the 60 trading days and 180 trading days of approximately 49.89% and 45.15% also compare favourably against the median premiums of the Privatisation Comparables;

(vi) the premiums of approximately 40.41% and 63.42% represented by the Cancellation Price over the Last Trading Day and the Last Full Trading Day are higher than the average and median premiums of the Cancellation Price over the last trading day of the Privatisation Comparables;

(vii) the premium represented by the Cancellation Price to the latest audited NAV attributable to owners of the Company of 10.79% is within the range of those of the Privatisation Comparables although it is less than the average and median premiums of the Privatisation Comparables, and

(viii) although the discount represented by the Cancellation Price to the Unaudited Adjusted NAV per Share of approximately 47.40% is higher than the average and median discounts of the Privatisation Comparables, it is within the range of those of the Privatisation Comparables while it is comparatively less than the discount to re-assessed NAV per share attributable to shareholders of Lifestyle for the privatisation of Lifestyle, being the only department store operator subject to privatisation during the PC Review Period, we consider the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend (a) the Disinterested Scheme Shareholders to vote IN FAVOUR OF the resolution to approve the Scheme at the Court Meeting; and (b) the Shareholders to vote IN FAVOUR OF the special resolution and the ordinary resolution in connection with the implementation and completion of the Proposal at the EGM.

Disinterested Scheme Shareholders should note that the closing Share prices have been trading below the Cancellation Price with an average of around HK$6.52 per Share since the publication of the Announcement but above the average closing Share price during the Pre-announcement Period of HK$5.67 per Share. Therefore, there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

Further details regarding the procedures of the Proposal and the Scheme are set out in the Explanatory Memorandum. Disinterested Scheme Shareholders are urged to act according to the timetable set out in the Scheme Document if they wish to qualify for entitlements under the Scheme.

Yours faithfully,
For and on behalf of
Opus Capital Limited

Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 15 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purpose only*