
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

FORTUNE SPIRIT GROUP LIMITED LIFESTYLE CHINA GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

利福中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

(1) PROPOSED PRIVATISATION OF LIFESTYLE CHINA GROUP LIMITED BY FORTUNE SPIRIT GROUP LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND (2) PROPOSED WITHDRAWAL OF LISTING OF LIFESTYLE CHINA GROUP LIMITED

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used hereunder shall have the same meanings as defined in this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Amended Proposal and the Scheme is set out in Part V of this Scheme Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Amended Proposal and the Scheme is set out in Part VI of this Scheme Document. The Explanatory Memorandum is set out in Part VII of this Scheme Document.

The actions to be taken by the Shareholders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting and the General Meeting to be held at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong on Thursday, 20 February 2025 at 10:30 a.m. and 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) respectively are set out in Appendix V and Appendix VI to this Scheme Document respectively. Whether or not you are able to attend any of the Court Meeting and/or the General Meeting or any adjournment(s) thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting and the enclosed **WHITE** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to deposit them at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated under Part II — Actions to be Taken of this Scheme Document. If the **PINK** form of proxy is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. If the **WHITE** form of proxy is not so lodged at least 48 hours before the time appointed for the General Meeting, it will not be valid. Completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

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

The English language text of this Scheme Document shall prevail over the Chinese language text.

28 January 2025

NOTICE TO OVERSEAS SCHEME SHAREHOLDERS

The availability of the Amended Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdiction in which they are located or resident or of which they are citizens. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, regulatory or tax requirements in their respective jurisdictions and, where necessary, seek their own legal advice.

It is the responsibility of the overseas Scheme Shareholders who wish to take any action in relation to the Amended Proposal and the Scheme to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with any such action, including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with any other necessary formality and the payment of any issue, transfer or other tax in any relevant jurisdiction.

Any approval or acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers (including Quam Capital as the financial adviser to the Offeror), that such laws and regulations have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

If you are an overseas Scheme Shareholder, your attention is drawn to the section headed “18. Overseas Scheme Shareholders” in Part VII — Explanatory Memorandum of this Scheme Document.

NOTICE TO U.S. INVESTORS

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

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

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

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

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

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

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group.

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

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publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

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

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In this Scheme Document, the following words and expressions shall have the following meanings unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“Amended Proposal”	the Proposal, as amended by the increase of the Original Cancellation Price as disclosed in the Amended Proposal Announcement and on the terms and subject to the conditions set out in this Scheme Document
“Amended Proposal Announcement”	the joint announcement of the Company and the Offeror dated 16 January 2025 in relation to, among others, the Amended Proposal
“Announcement”	the announcement dated 6 December 2024 jointly issued by the Company and the Offeror in relation to, among other things, the Proposal and the Scheme
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Share(s) whose Share(s) is/are registered in the name of a Registered Owner other than himself or herself
“Board”	the board of Directors
“business day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Act”	the Companies Act (2023 Revision) (as revised) of the Cayman Islands, as consolidated and revised from time to time
“Company”	Lifestyle China Group Limited 利福中國集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2136)
“concert party(ies)”	party(ies) acting in concert

“Condition(s)”	the condition(s) to the implementation of the Amended Proposal and the Scheme as set out in the section headed “3. Conditions of the Amended Proposal and the Scheme” in Part VII — “Explanatory Memorandum” of this Scheme Document
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Court Hearing”	the hearing of the petition by the Grand Court for the sanction of the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at 10:30 a.m. on Thursday, 20 February 2025 at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong, at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof
“Dalian Property”	a currently vacant retail property owned by the Group located at 11 Youhao Road, Zhongshan District, Dalian, Liaoning Province, the PRC
“Director(s)”	the director(s) of the Company
“Dynamic Castle”	Dynamic Castle Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Lau
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“Explanatory Memorandum”	the explanatory memorandum set out in Part VII of this Scheme Document
“General Meeting”	an extraordinary general meeting of the Company to be convened at 11:00 a.m. on Thursday, 20 February 2025 (or immediately after the Court Meeting has been concluded or adjourned) at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong, for the purpose of approving all necessary resolutions for, among other things, the implementation of the Scheme, or any adjournment thereof
“Grand Court”	the Grand Court of the Cayman Islands

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Directors comprising Ms. Chan Chor Ling, Amy, Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai, being the non-executive Director and all independent non-executive Directors
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee in relation to the Amended Proposal and the Scheme
“Independent Property Valuer” or “Knight Frank”	Knight Frank Petty Limited, being the independent property valuer to the Company which carried out a valuation of the Group’s property interests, further details of which are set out in Appendix III to this Scheme Document
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Last Trading Date”	2 December 2024, being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to publication of the Announcement
“Latest Practicable Date”	24 January 2025, being the latest practicable date for ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Long Stop Date”	30 April 2025 (or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the Grand Court may direct), being the last date the Conditions can be fulfilled or waived (as applicable), failing which the Amended Proposal and the Scheme will lapse
“Meeting Record Date”	Thursday, 20 February 2025, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting
“Mr. Lau”	Mr. Lau Luen Hung, Thomas, an executive Director and the Chairman and Chief Executive Officer of the Company and the sole shareholder and the ultimate beneficial owner of the Offeror
“Mr. Lau’s SPV Entities”	United Goal and Dynamic Castle
“Ms. Lau”	Ms. Lau Yuk Chun, Mary, a younger sister of Mr. Lau
“Ms. Lau’s SPV Entities”	(i) Chaker Investments Ltd, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Ms. Lau; and (ii) WinPath Limited, a company incorporated in British Virgin Islands with limited liability which is wholly-owned by Ms. Lau
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 6 December 2024, being the date of the Announcement
“Offeror”	Fortune Spirit Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Lau
“Offeror Concert Parties Not Subject to the Scheme”	Mr. Lau and Mr. Lau’s SPV Entities, who are persons acting in concert with the Offeror under the Takeovers Code and whose Shares are not subject to the Scheme
“Offeror Concert Parties Subject to the Scheme”	Ms. Lau and Ms. Lau’s SPV Entities, who are persons presumed to be acting in concert with the Offeror under the Takeovers Code

“Offeror Concert Party(ies)”	person(s) acting, or presumed to be acting, in concert with the Offeror (including but not limited to the Offeror Concert Parties Subject to the Scheme and the Offeror Concert Parties Not Subject to the Scheme)
“Offeror Group”	the Offeror and its subsidiaries (which will include the Group upon the Scheme becoming effective)
“Original Cancellation Price”	the original cancellation price of HK\$0.913 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Share(s) with, a CCASS Participant
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan)
“Properties”	Shanghai Jiuguang Center, Suzhou Jiuguang Property, Dalian Property and Shenyang Property
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the withdrawal of listing of the Shares from the Stock Exchange
“Quam Capital”	Quam Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Amended Proposal
“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Share(s)
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Act
“Relevant Period”	the period commencing on 6 June 2024, being that date that falls six months prior to the date of the Announcement, and ending on the Latest Practicable Date
“relevant securities”	has the meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code

“Revised Cancellation Price”	the cancellation price of HK\$0.980 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Amended Proposal
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the scheme of arrangement to be proposed under section 86 of the Companies Act for the implementation of the Amended Proposal
“Scheme Document”	this composite scheme document of the Offeror and the Company, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time, and containing, among other things, further details of the Amended Proposal, a letter from the Board, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser to the Independent Board Committee, a valuation report, and notices to convene the Court Meeting and General Meeting together with forms of proxy in relation thereto
“Scheme Record Date”	Friday, 28 February 2025 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	the Share(s) in issue on the Scheme Record Date other than those held by the Offeror Concert Parties Not Subject to the Scheme
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Jiuguang Center”	a commercial complex owned by the Group located at No. 2188 Gonghexin Road, Jing’an District, Shanghai, the PRC, where the second department store in Shanghai under “Jiuguang” brand is situated
“Shanghai Jiuguang Property”	the entire building (including open space, external wall and roof top of the building) situated at 1618 Nanjing Xi Road, Shanghai, the PRC known as Shanghai Joinbuy City Plaza Building (上海久百城市廣場大廈) with a gross construction floor area of 91,833.16 square metres

“Share(s)”	the ordinary share(s) with nominal value of HK\$0.005 each of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Shenyang Property”	a currently vacant retail property owned by the Group located at No. 68 Zhongjie Road, Shenhe District, Shenyang, Liaoning Province, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Jiuguang Property”	a retail property owned by the Group located at 268 Wangdun Road, Industrial Park District, Suzhou, Jiangsu Province, the PRC, where Suzhou Jiuguang department store is situated
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended from time to time
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“United Goal”	United Goal Resources Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately owned as to 80% by Mr. Lau through his controlled corporation and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau
“U.S.” or “United States”	the United States of America
“%”	per cent

* For the purpose of this Scheme Document, except as otherwise specified, all amounts denominated in RMB has been converted (for information only) into HK\$ using the exchange rate of HK\$1: RMB0.92343, the central parity rate published by the People’s Bank of China as at the Last Trading Date. Such conversion rate shall not be construed as a representation that amounts of RMB was or may have been converted.

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

1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Monday, 17 February 2025 to Thursday, 20 February 2025 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 14 February 2025.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the General Meeting are enclosed with this Scheme Document. A subsequent purchaser of Shares to be voted at the Court Meeting or the General Meeting will need to obtain a form of proxy from the transferor if he or she wishes to attend or vote at the Court Meeting or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or General Meeting or any adjournment(s) thereof in person, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly urged to complete and sign the enclosed **WHITE** form of proxy in respect of the General Meeting in accordance with the instructions printed thereon, and to deposit them at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **PINK** form of proxy for use at the Court Meeting must be lodged no later than 10:30 a.m. on Tuesday, 18 February 2025 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it); and
- the **WHITE** form of proxy for use at the General Meeting must be lodged no later than 11:00 a.m. on Tuesday, 18 February 2025, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be revoked by operation of law.

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

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

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting on Thursday, 20 February 2025 by no later than 7:00 p.m. If all of the resolutions are passed at the Court Meeting and the General Meeting, further announcement(s) will be made in relation to, among other things, the outcome of the Court Hearing and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange, in accordance with the requirements of the Takeovers Code and the Listing Rules.

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

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

If you are a Beneficial Owner whose Share(s) are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and give instructions to and/or make arrangements with the Registered Owner as to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

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

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

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

advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the General Meeting, any such Beneficial Owner should comply with the requirements of such Registered Owner.

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

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

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

3. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS

If you are a Beneficial Owner whose Share(s) are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such Other CCASS Participants if you wish to vote at the Court Meeting and/or at the General Meeting. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the General Meeting, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the General Meeting; or
- (b) become a Shareholder of record and thereby have the right to attend and vote at the Court Meeting and/or the General Meeting (as appropriate) by withdrawing any or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s). For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the Court Meeting and/or the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name.

The procedures for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

4. EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the General Meeting.

If you are a Registered Owner holding Share(s) on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you keep any Share(s) in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Share(s) are deposited in CCASS, you are strongly encouraged to provide your broker, custodian, nominee or other relevant person without delay with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Share(s) should be voted at the Court Meeting and/or at the General Meeting, and/or withdraw some or all of your Share(s) from CCASS and become a Registered Owner of such Share(s) and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

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

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

All dates are subject to the availability of the Grand Court. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable. Unless otherwise specified, all times and dates refer to Hong Kong local times and dates.

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

Despatch of this Scheme Document	Tuesday, 28 January 2025
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and the General Meeting	4:30 p.m. on Friday, 14 February 2025
Register of members of the Company closed for determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and entitlements of the Shareholders to attend and vote at the General Meeting (<i>Note 1</i>)	Monday, 17 February 2025 to Thursday, 20 February 2025 (both days inclusive)
Latest time for lodging PINK forms of proxy in respect of the Court Meeting (<i>Note 2</i>)	10:30 a.m. on Tuesday, 18 February 2025
Latest time for lodging WHITE forms of proxy in respect of the General Meeting (<i>Note 2</i>)	11:00 a.m. on Tuesday, 18 February 2025
Meeting Record Date	Thursday, 20 February 2025
Court Meeting (<i>Note 3</i>)	10:30 a.m. on Thursday, 20 February 2025
General Meeting (<i>Note 3</i>)	11:00 a.m. on Thursday, 20 February 2025 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the General Meeting	no later than 7:00 p.m. on Thursday, 20 February 2025

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

Expected last time for trading of the Shares on the Stock Exchange	4:10 p.m. on Friday, 21 February 2025
Court Hearing	9:30 a.m. on Tuesday, 25 February 2025 (Cayman Islands time)
Announcement of (1) the results of the Court Hearing, (2) the expected Effective Date, and (3) the expected date of withdrawal of the listing of the Shares from the Stock Exchange	no later than 8:30 a.m. on Wednesday, 26 February 2025
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Wednesday, 26 February 2025
Register of members of the Company closed for determining entitlements of the Scheme Shareholders under the Scheme (<i>Note 4</i>)	from Thursday, 27 February 2025 onwards
Scheme Record Date	Friday, 28 February 2025
Effective Date (<i>Note 5</i>).	Friday, 28 February 2025 (Cayman Islands time)
Announcement of (1) the Effective Date and (2) the withdrawal of the listing of the Shares from the Stock Exchange	no later than 8:30 a.m. on Monday, 3 March 2025
Expected withdrawal of the listing of the Shares from the Stock Exchange becomes effective (<i>Note 6</i>)	4:00 p.m. on Tuesday, 4 March 2025
Latest time to despatch cheques for cash payment of the Revised Cancellation Price to the Scheme Shareholders under the Scheme (<i>Notes 7 and 8</i>)	on or before Tuesday, 11 March 2025

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting. This book closure period is not for determining the entitlements under the Scheme.
2. Forms of proxy should be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event no later than the respective times and dates stated above. In the case of the **PINK** form of proxy in respect of the Court Meeting, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). If the **WHITE** form of proxy is not lodged at least 48 hours before the time appointed for the General Meeting, it will not be valid. The completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude a Shareholder from attending and voting at the relevant meeting or any adjournment thereof in person. In such event, the relevant form of proxy will be revoked by operation of law.
3. The Court Meeting and the General Meeting will be held at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong at the times and dates specified above. Please refer to the notice of the Court Meeting set out in Appendix V to this Scheme Document and the notice of the General Meeting set out in Appendix VI to this Scheme Document for details.
4. The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders who are qualified for entitlements under the Scheme.
5. The Scheme will become effective upon the fulfilment or waiver (as applicable) of all of the Conditions to the Amended Proposal as set out in the section headed "3. Conditions of the Amended Proposal and the Scheme" in Part VII — Explanatory Memorandum of this Scheme Document.
6. If the Amended Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Tuesday, 4 March 2025.
7. Cheques for payment of the Revised Cancellation Price to the Scheme Shareholders will be despatched as soon as possible but in any event no later than 7 business days after the Effective Date by ordinary post in postage pre-paid envelopes addressed to the person(s) entitled thereto at their respective addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing on the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques will be sent at the risk of the addressee and none of the Offeror, the Company, Quam Capital, the Independent Financial Adviser and the branch share registrar of the Company, nor their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Amended Proposal shall be liable for any loss or delay in despatch.
8. If any severe weather condition is (a) in effect in Hong Kong at any local time before 12:00 noon but no longer in force at or after 12:00 noon on Tuesday, 11 March 2025, the latest date to despatch cheques for cash payment of the Revised Cancellation Price to the Scheme Shareholders will remain on the same business day; or (b) in effect at 12:00 noon and/or thereafter on Tuesday, 11 March 2025, the latest time to despatch cheques for cash payment of the Revised Cancellation Price to the Scheme Shareholders may be postponed to the next business day (that does not have any severe weather condition at 12:00 noon or thereafter), i.e. Wednesday, 12 March 2025 (or a later date that does not have any severe weather condition at 12:00 noon or thereafter).

For the purpose of this document, “severe weather” refers to the scenario where a tropical cyclone warning signal number 8 or above is hoisted, a black rainstorm warning and/or the “extreme conditions” warning as announced by the Hong Kong government is/are in force in Hong Kong. Further announcement(s) will be made if there is any change to the expected timetable as a result of any severe weather.

LIFESTYLE CHINA GROUP LIMITED**利福中國集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

Executive Directors:

Mr. Lau Luen Hung, Thomas
(Chairman and Chief Executive Officer)

Mr. Lau Kam Sen
Ms. Lau Kam Shim

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Ms. Chan Chor Ling, Amy

*Head office and principal place of
business in Hong Kong:*

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

Independent Non-executive Directors:

Ms. Cheung Mei Han
Mr. Cheung Yuet Man, Raymond
Mr. Lam Kwong Wai

28 January 2025

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

Reference are made to the Announcement and the Amended Proposal Announcement. On 2 December 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act.

On 16 January 2025, the Offeror and the Company jointly issued the Amended Proposal Announcement in relation to, among other things, the proposed increase in the Original Cancellation Price from HK\$0.913 to the Revised Cancellation Price of HK\$0.980 per Scheme Share (representing an increase of approximately 7.3% over the Original Cancellation Price) and the request of the Offeror to the Company to put forward the Amended Proposal to the Scheme Shareholders.

The purpose of this Scheme Document is to provide you with further information regarding the Amended Proposal and the Scheme, and to give you notices of the Court Meeting and the General Meeting, together with the forms of proxy in relation thereto. Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV of this Scheme Document.

2. TERMS OF THE AMENDED PROPOSAL

The Scheme

Subject to the Conditions described in the sections headed “Conditions of the Amended Proposal and the Scheme” in the Part VII — Explanatory Memorandum of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

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

- (a) all the 367,408,208 Scheme Shares (representing 25.09% of the issued Shares) held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder as at the Scheme Record Date of the Revised Cancellation Price in cash for each Scheme Share cancelled and extinguished;
- (b) upon the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the contemporaneous allotment and issuance to the Offeror of the same number of new Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company’s books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror, who shall be the sole holder of all such new Shares; and
- (c) the Company will make an application for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules and such withdrawal is expected to take with effect as soon as practicable after the Effective Date.

Revised Cancellation Price

Under the Amended Proposal, if the Scheme is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration therefor, each Scheme Shareholder as at the Scheme Record Date will be entitled to receive the Revised Cancellation Price of HK\$0.980 in cash for each Scheme Share cancelled and extinguished.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Revised Cancellation Price of HK\$0.980 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event no later than seven (7) business days after the Effective Date.

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

Your attention is drawn to the section headed “2. Terms of the Amended Proposal — The Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

Highest and lowest prices

Your attention is drawn to the section headed “2. Terms of the Amended Proposal — Highest and lowest prices” in Part VII — Explanatory Memorandum of this Scheme Document.

3. CONDITIONS OF THE AMENDED PROPOSAL AND THE SCHEME

The Amended Proposal and the Scheme will only become effective and binding on the Company and all of the Scheme Shareholders if the Conditions set out in the section headed “3. Conditions of the Amended Proposal and the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document are fulfilled or waived (as applicable).

When all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders.

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

4. CONFIRMATION OF FINANCIAL RESOURCES

The Offeror has appointed Quam Capital as its financial adviser in connection with the Amended Proposal.

Your attention is drawn to the section headed “4. Confirmation of Financial Resources” in Part VII — Explanatory Memorandum of this Scheme Document.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

Your attention is drawn to the section headed “6. Shareholding Structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

6. INFORMATION ON THE GROUP

Your attention is drawn to the section headed “7. Information on the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

7. INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “8. Information on the Offeror” in Part VII — Explanatory Memorandum of this Scheme Document.

8. THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising the non-executive Director and all independent non-executive Directors pursuant to Rule 2.8 of the Takeovers Code, namely, Ms. Chan Chor Ling, Amy, Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai, has been established by the Board to make recommendations to the Independent Shareholders as to whether the Amended Proposal and the Scheme are, or are not, fair and reasonable, and whether to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Amended Proposal at the General Meeting. As at the Latest Practicable Date, 297,000 Shares (representing approximately 0.02% of the issued share capital of the Company) were held by Ms. Chan Chor Ling, Amy.

The Board, with the approval of the Independent Board Committee, has appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Amended Proposal (including the Scheme) pursuant to Rule 2.1 of the Takeovers Code.

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

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the Amended Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Amended Proposal and the Scheme.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Amended Proposal and the Scheme is set out in Part V of this Scheme Document.

9. REASONS FOR AND BENEFITS OF THE AMENDED PROPOSAL

Your attention is drawn to the section headed “12. Reasons for and Benefits of the Amended Proposal” in Part VII — Explanatory Memorandum of this Scheme Document.

10. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to the section headed “9. Intention of the Offeror with regard to the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

The Board is pleased to note that, as at the Latest Practicable Date, the Offeror intends to continue the existing businesses of the Group, which principally comprise of operation of department stores and other related retailing businesses and property investment in the PRC. The Offeror does not have any plan to make any material change to:

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

as a result of the implementation of the Amended Proposal and the Scheme.

The Board is also pleased to note that, after completion of the Amended Proposal, the Offeror will continue to review and consider the strategy of the Group under part of the Group’s usual and ordinary course of business and may, from time to time, explore and implement business and operational initiatives with the objective of aiming to enhance the business operations of the Group as and when such opportunities arise.

11. ACTIONS TO BE TAKEN

Your attention is drawn to Part II — Actions to be Taken of this Scheme Document.

12. THE COURT MEETING AND GENERAL MEETING

In accordance with the directions of the Grand Court, the Court Meeting will be held at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong on Thursday, 20 February 2025 at 10:30 a.m.. The General Meeting will be held at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong on Thursday, 20 February 2025 at 11:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

For the purpose of exercising your right to vote at the Court Meeting and/or the General Meeting, you are requested to read carefully the section headed “14. The Court Meeting and General Meeting” in Part VII — Explanatory Memorandum of this Scheme Document, Part II — Actions to be Taken of this Scheme Document, the notice of the Court Meeting in Appendix V of this Scheme Document and the notice of the General Meeting in Appendix VI of this Scheme Document.

Only Scheme Shareholders as at the Meeting Record Date may attend and vote at the Court Meeting to approve the Scheme.

As the Offeror and the Offeror Concert Parties Not Subject to the Scheme are not Scheme Shareholders, they will not vote on the Scheme at the Court Meeting. Each of the Offeror Concert Parties will, and has undertaken to the Grand Court to, procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the Court Meeting. The Offeror and each of the Offeror Concert Parties have undertaken to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

The Offeror Concert Parties Subject to the Scheme, being Ms. Lau and Ms. Lau’s SPV Entities, who in aggregate held 32,424,000 Shares, representing approximately 2.22% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the Scheme at the Court Meeting.

As at the Latest Practicable Date, Ms. Chan Chor Ling, Amy, being a Director, intends to accept and vote for the Amended Proposal and the Scheme in respect of her own beneficial interest in the Shares.

All Shareholders as at the Meeting Record Date will be entitled to attend the General Meeting and to vote on the special resolution (i) to approve and give effect to any reduction of the issued share capital associated with cancellation and extinguishment of the Scheme Shares; and (ii) to approve the simultaneous maintenance of the share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company’s books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and (iv) to authorise the Directors to take certain actions to implement the Amended Proposal.

The Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the special resolution to be proposed at the General Meeting (i) to approve and give effect to any reduction of the issued share capital associated with cancellation and extinguishment of the Scheme Shares; and (ii) to approve the simultaneous maintenance of the share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and (iv) to authorise the Directors to take certain actions to implement the Amended Proposal.

13. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately from 4:00 p.m. on Tuesday, 4 March 2025 subject to the Scheme becoming effective.

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

14. IF THE SCHEME IS NOT APPROVED OR THE AMENDED PROPOSAL LAPSES

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

If the Scheme is not approved or the Amended Proposal otherwise lapses, no Scheme Shares will be cancelled or extinguished, the shareholding structure of the Company as at the Latest Practicable Date will not change (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the date on which the Scheme is not approved or the Amended Proposal lapses) as a result of the Amended Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules.

If the Scheme is not approved or the Amended Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Amended 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 Amended Proposal otherwise lapses, announce an offer or possible offer for the Company except with the consent of the Executive.

15. REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “17. Registration and Payment” in Part VII — Explanatory Memorandum of this Scheme Document.

16. OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the section headed “18. Overseas Scheme Shareholders” in Part VII — Explanatory Memorandum of this Scheme Document.

17. TAXATION ADVICE

Your attention is drawn to the section headed “19. Taxation Advice” in Part VII — Explanatory Memorandum of this Scheme Document.

18. COSTS OF THE SCHEME

Your attention is drawn to the section headed “20. Costs of the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

19. GENERAL

Mr. Lau, Ms. Lau Kam Shim (the daughter of Mr. Lau) and Mr. Lau Kam Sen (the son of Mr. Lau), each of whom is an executive Director, are members of the Offeror Concert Parties and are considered to be interested in the Amended Proposal and therefore they have not participated, and will abstain from voting, in any vote of the Board in relation to the Amended Proposal and the Scheme.

The Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the Amended Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned.

20. RECOMMENDATIONS

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Amended Proposal and the Scheme as set out in the letter from the Independent Board Committee to the Independent Shareholders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Amended Proposal and the Scheme as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Amended Proposal and the Scheme.

21. FURTHER INFORMATION

You are urged to read carefully:

- (a) the letter from the Independent Board Committee to the Independent Shareholders set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document;
- (c) the Explanatory Memorandum set out in Part VII of this Scheme Document;
- (d) the appendices of this Scheme Document, including the Scheme set out in Appendix IV to this Scheme Document;
- (e) the notice of the Court Meeting set out in Appendix V to this Scheme Document; and
- (f) the notice of the General Meeting set out in Appendix VI to this Scheme Document.

In addition, a **PINK** form of proxy in respect of the Court Meeting and a **WHITE** form of proxy in respect of the General Meeting are enclosed with this Scheme Document.

On behalf of the Board
Lifestyle China Group Limited
Lau Luen Hung, Thomas
Chairman

LIFESTYLE CHINA GROUP LIMITED**利福中國集團有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2136)**

28 January 2025

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the scheme document (the “**Scheme Document**”) dated 28 January 2025 jointly issued by the Company and the Offeror in relation to the Amended Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make recommendations to the Independent Shareholders as to: (i) whether the Amended Proposal and the Scheme are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Amended Proposal at the General Meeting.

Somerley, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Amended Proposal and the Scheme.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Memorandum as set out in Part VII of the Scheme Document.

We, having considered the Amended Proposal and the Scheme, and having taken into account the advice and recommendations of the Independent Financial Adviser to us, and in particular the factors, reasons and recommendations as set out in the Independent Financial Adviser's letter, consider that the Amended Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders:

- (1) at the Court Meeting, to vote in favour of the Scheme; and
- (2) at the General Meeting, to vote in favour of the special resolution (i) to approve and give effect to any reduction of the issued share capital associated with cancellation and extinguishment of the Scheme Shares; and (ii) to approve the simultaneous maintenance of the share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and (iv) to authorise the Directors to take certain actions to implement the Amended Proposal.

Yours faithfully,
Independent Board Committee

Ms. Chan Chor Ling, Amy <i>Non-executive Director</i>	Ms. Cheung Mei Han <i>Independent Non-executive Director</i>	Mr. Cheung Yuet Man, Raymond <i>Independent Non-executive Director</i>	Mr. Lam Kwong Wai <i>Independent Non-executive Director</i>
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The following is the full text of a letter of advice from Somerley prepared for the purpose of inclusion in this Scheme Document, setting out its advice to the Independent Board Committee in connection with the Amended Proposal and the Scheme.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

28 January 2025

To: the Independent Board Committee

Dear Sirs,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Amended Proposal and the Scheme, details of which are set out in the letter from the Board contained in the Scheme Document to the Shareholders dated 28 January 2025, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

On 2 December 2024, the Offeror requested the Board to put forward the Proposal with the Original Cancellation Price of HK\$0.913 to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act. On 16 January 2025, the Offeror and the Company jointly issued the Amended Proposal Announcement in relation to, among other things, the proposed increase in the Original Cancellation Price from HK\$0.913 to the Revised Cancellation Price of HK\$0.980 per Scheme Share (representing an increase of approximately 7.3% over the Original Cancellation Price) and the request of the Offeror to the Company to put forward the Amended Proposal to the Scheme Shareholders. If the Amended Proposal is approved and implemented, the Scheme Shares will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder as at the Scheme Record Date of the Revised Cancellation Price of HK\$0.980 in cash for each

Scheme Share cancelled and extinguished. The Amended Proposal and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions as set out in the section headed “3. Conditions of the Amended Proposal and the Scheme” in Part VII — Explanatory Memorandum of the Scheme Document on or before the Long Stop Date, failing which the Scheme will not become effective and the Amended Proposal will lapse.

The Independent Board Committee, comprising the non-executive Director and all independent non-executive Directors, namely Ms. Chan Chor Ling, Amy, Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai, has been established by the Board to make recommendations to the Independent Shareholders as to whether the Amended Proposal and the Scheme are, or are not, fair and reasonable, and whether to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Amended Proposal at the General Meeting. We, Somerley, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

As at the Latest Practicable Date, we are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company. Apart from the existing engagement in connection with the Amended Proposal and the Scheme, we confirm that we did not have any significant connection, business, financial or otherwise, with the Company and/or Offeror or the controlling shareholders of either of them within two years prior to the commencement of the offer period up to the Latest Practicable Date, of a kind reasonably likely to create, or create the perception of, a conflict of interest or reasonably like to affect the objectivity of our advice. Save for normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. We consider ourselves independent to form our opinion in respect of the Amended Proposal and the Scheme.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (collectively, “**Management**”), which we have assumed are true, accurate and complete in all material aspects as at the Latest Practicable Date and will remain so up to the time of the Court Meeting and the General Meeting. Should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have reviewed the annual reports of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and 2023 (the “**2023 Annual Report**”), and the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”), and the information contained in the Scheme Document. We have sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient

for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror and their respective subsidiaries or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

We have not considered the taxation implications or regulatory implications on the Scheme Shareholders of acceptance of the Amended Proposal since these are particular to their individual circumstances. In particular, the Scheme Shareholders who are overseas Shareholders or subject to overseas taxation or regulatory requirements on securities dealings should consider their own tax position and observe applicable legal or regulatory requirements and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability and is listed on the main board of the Stock Exchange since 2016. The Group is principally engaged in the operation of department stores and other related retailing business (i.e. revenue from contracts with customers in table 1 below, which accounted for 77.5% of the Group’s revenue in 2023) and property investment (i.e. rental income in table 1 below, which accounted for 22.5% of the Group’s revenue in 2023) in the PRC.

1.1. Financial performance

Set out below are the summarised consolidated income statements of the Group with year-on-year changes (“**YoY Changes**”) for (i) the three years ended 31 December 2021, 2022 and 2023 (“**2021**”, “**2022**” and “**2023**”, respectively) as extracted from the 2022 Annual Report and the 2023 Annual Report; and (ii) the six months ended 30 June 2023 and 2024 (“**1H2023**” and “**1H2024**”, respectively) as extracted from the 2024 Interim Report:

TABLE 1: SUMMARISED CONSOLIDATED INCOME STATEMENTS OF THE GROUP

<i>(RMB '000)</i>	1H2024 (unaudited)	<i>YoY Changes</i>	1H2023 (unaudited)	2023 (audited)	<i>YoY Changes</i>	2022 (audited)	<i>YoY Changes</i>	2021 (audited)
Revenue	644,603	<i>(7.3)%</i>	695,235	1,348,975	<i>19.6%</i>	1,127,588	<i>(13.2)%</i>	1,299,736
Revenue from contracts with customers	482,992	<i>(12.4)%</i>	551,556	1,046,112	<i>15.8%</i>	903,041	<i>(24.3)%</i>	1,192,212
• Sales of goods — direct sales	262,424	<i>(6.7)%</i>	281,139	523,341	<i>21.6%</i>	430,287	<i>(24.3)%</i>	568,676
• Income from concessionaire sales	202,619	<i>(19.4)%</i>	251,249	481,262	<i>9.1%</i>	440,992	<i>(24.7)%</i>	585,289
• Service income	17,949	<i>(6.4)%</i>	19,168	41,509	<i>30.7%</i>	31,762	<i>(17.0)%</i>	38,247
Rental income	161,611	<i>12.5%</i>	143,679	302,863	<i>34.9%</i>	224,547	<i>108.8%</i>	107,524

<i>(RMB '000)</i>	1H2024 (unaudited)	<i>YoY Changes</i>	1H2023 (unaudited)	2023 (audited)	<i>YoY Changes</i>	2022 (audited)	<i>YoY Changes</i>	2021 (audited)
Gross Profit	362,066	<i>(8.1)%</i>	394,070	785,434	<i>19.3%</i>	658,104	<i>(16.7)%</i>	790,362
<i>Gross profit margin</i>	<i>56.2%</i>		<i>56.7%</i>	<i>58.2%</i>		<i>58.4%</i>		<i>60.8%</i>
Share of profits of associates	160,557	<i>(37.1)%</i>	255,196	308,939	<i>69.6%</i>	182,205	<i>(23.2)%</i>	237,251
Profit/(loss) attributable to Shareholders	41,668	<i>(67.4)%</i>	127,622	87,767	<i>n.a.</i>	(24,441)	<i>n.a.</i>	143,393
Dividend per Share (RMB)	Nil		Nil	Nil		Nil		Nil

a. *Revenue*

2022 vs 2021

The Group's revenue decreased from RMB1,299.7 million for 2021 to RMB1,127.6 million for 2022, representing a year-on-year decrease of 13.2%. Such decrease was mainly due to a 24.3% decrease in direct sales from RMB568.7 million for 2021 to RMB430.3 million for 2022 and a 24.7% decrease in income from concessionaire sales from RMB585.3 million for 2021 to RMB441.0 million for 2022, but was lifted by a 108.8% increase in rental income from RMB107.5 million for 2021 to RMB224.5 million for 2022. The decrease in retail sales was primarily attributable to the severe disruption to the Group's business caused by the recurring outbreaks of COVID-19 whereas the increase in rental income was mainly attributable to the full year effect of leasing of the retail and office spaces at the Shanghai Jiuguang Center ("JGC"), a commercial complex developed by the Group which commenced operations in late November 2021.

2023 vs 2022

The Group's revenue increased from RMB1,127.6 million for 2022 to RMB1,349.0 million for 2023, representing a year-on-year increase of 19.6%. Such increase was mainly driven by (i) a 21.6% increase in direct sales from RMB430.3 million for 2022 to RMB523.3 million for 2023 and a 9.1% increase in income from concessionaire sales from RMB441.0 million for 2022 to RMB481.3 million for 2023; and (ii) a 34.9% increase in rental income from RMB224.5 million for 2022 to RMB302.9 million for 2023. The increase in retail sales was largely attributable to the full resumption of the Group's operations following lifting of epidemic prevention and control measures as well as the Group's effective operating initiatives and strategies. Nevertheless, the Group recorded a 10.3% drop in revenue from contracts with customers in the second half of 2023 ("2H2023") as compared to 1H2023 as the slowdown of the economy since the middle of the year prompted consumer sentiment to become more cautious. Furthermore, the

increase in rental income was primarily attributable to rise in occupancy rate of office spaces at the JGC from nearly 40% to approximately 60%.

1H2024 vs 1H2023

For 1H2024, the Group's revenue decreased by RMB50.6 million to RMB644.6 million, representing a decrease of 7.3% as compared to corresponding period in 2023. Such decrease was primarily due to (i) a 19.4% decrease in income from concessionaire sales from RMB251.2 million for 1H2023 to RMB202.6 million for 1H2024; and (ii) a 6.7% decrease in direct sales from RMB281.1 million for 1H2023 to RMB262.4 million for 1H2024, but was lifted by a 12.5% increase in rental income from RMB143.7 million for 1H2023 to RMB161.6 million for 1H2024. The decline in retail sales was a continuation of the situation in 2H2023 which was primarily attributable to reduced consumer spending across the board, with (i) JGC decreasing by 12.9% from RMB208 for 1H2023 to RMB181 for 1H2024; (ii) Shanghai Jiuguang department store decreasing by 6.4% from RMB404 for 1H2023 to RMB378 for 1H2024; and (iii) Suzhou Jiuguang department store decreasing by 2.8% from RMB496 for 1H2023 to RMB482 for 1H2024 as the consumers were cautious in their spending amid the deteriorating economic conditions in the PRC which was evidenced by the consumer confidence index in the PRC decreased from an average of 90.4 points for 1H2023 to 88.0 points for 1H2024.

b. Gross profit and gross profit margin

The Group recorded gross profit of RMB790.4 million for 2021, RMB658.1 million for 2022 and RMB785.4 million for 2023, representing a year-on-year decrease of 16.7% and an increase of 19.3% respectively. For 1H2024, the Group's gross profit dropped by RMB 32.0 million to RMB362.1 million, representing a decrease of 8.1% as compared to the corresponding period in 2023. The change in gross profit was generally in line with the revenue change. The gross profit margin of the Group slightly declined from 60.8% for 2021 to 58.4% for 2022 and remained stable for 2023. For 1H2024, the Group's gross profit margin was stable at around 56%, similar to that of the previous corresponding periods.

c. Profit/(loss) attributable to Shareholders

2022 vs 2021

The Group recorded a net profit attributable to Shareholders of RMB143.4 million for 2021 and a loss attributable to Shareholders of RMB24.4 million for 2022. The reverse from profit to loss was mainly due to (i) a decline in sales which was affected by stringent epidemic control measures as well as rental and guaranteed sales commission concessions provided by the Group to its business partners to tide over

the difficult times; (ii) interest expense of RMB101.5 million relating to bank loan for JGC being expensed as it could no longer be capitalised following commencement of its operations in late November 2021; (iii) increase in selling and distribution costs primarily due to additional depreciation/amortisation charges from the newly opened JGC; and (iv) a decrease in the share of profits of RMB32.0 million from the Group's associate, Shijiazhuang Beiguo Renbai Group Company Limited (the "**Beiren Group**"), business of which was severely impacted by the pandemic particularly in the second half of 2022.

2023 vs 2022

As opposed to a net loss attributable to Shareholders of RMB24.4 million for 2022, the Group recorded a net profit attributable to Shareholders of RMB87.8 million for 2023. The turnaround was primarily attributable to (i) the improvement in sales performance after the Group's full resumption of business operation (the Group suspended certain operations and occasionally shortened the opening hours during the period from April 2022 to May 2022 due to anti-pandemic measures in the PRC); and (ii) a substantial year-on-year increase of 68.9% to RMB185.0 million in respect of the Group's share of profit from its associates, the Beiren Group, mainly due to a one-off gain from land disposal which is not a recurring item.

1H2024 vs 1H2023

For 1H2024, the Group's profit attributable to Shareholders fell to RMB41.7 million, representing a substantial year-on-year decline of 67.4%. This fall in net profit was mainly due to: (i) a 37.0% year-on-year decrease in the Group's share of profit from its associate, the Beiren Group, mainly due to the absence of the one-off gain arising from land disposal in 1H2023; (ii) a decrease in the Group's revenue as explained above; and (iii) an increase in finance charges related to the increase in lease liabilities following renewal and extension of another 20 years in respect of the lease for the Shanghai Jiuguang Property on 20 March 2023, about 1.5 years ahead the expiry of the existing lease, resulting in remeasurement of lease liabilities arising from the new and existing leases for Shanghai Jiuguang Property on 20 March 2023 as well as the finance cost thereafter.

d. Dividend per Share

The Board did not recommend any distribution of dividend(s) since the Company's listing as, as advised by the Management, (i) the share of profits of associates were not distributable as the associates paid insignificant dividend to the Group over the years; and (ii) the cash generated from the Group's own operations before the COVID-19 pandemic had been reserved for the capital expenditures and payment of loan interest in respect of the

development of the JGC, which was only completed and put into commercial operation in late 2021. Last but not least, in view of the uncertainties over the Chinese economy and the Group's business outlook after the pandemic, the Management considers that the Group is likely to maintain a prudent dividend policy in the near future if the Amended Proposal does not proceed.

1.2. Financial position

Set out below are the summarised consolidated statement of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024 as extracted from the 2022 Annual Report, 2023 Annual Report and 2024 Interim Report:

TABLE 2: SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

(RMB '000)	As at	As at 31 December		
	30 June 2024 (unaudited)	2023 (audited)	2022 (audited)	2021 (audited)
Total assets	16,958,578	17,036,933	14,448,660	15,032,372
Non-current assets	13,760,166	13,811,755	12,409,720	12,675,847
• Property, plant and equipment	5,001,330	5,042,882	5,267,550	5,501,009
• Investment property	1,215,472	1,230,863	1,261,645	1,292,427
• Right-of-use assets	3,498,089	3,569,973	2,237,164	2,404,868
• Investments in associates	3,629,805	3,572,148	3,272,654	3,095,104
Current assets	3,198,412	3,225,178	2,038,940	2,356,525
• Cash and cash equivalents	2,230,368	2,242,826	1,609,097	1,858,198
• Structured bank deposits	537,500	580,800	—	—
Total liabilities	5,811,121	6,020,395	3,649,796	4,252,026
• Bank borrowings	3,258,000	3,278,000	2,240,000	2,340,000
• Lease liabilities	1,586,586	1,611,870	188,407	288,928
• Trade and other payables	825,060	959,356	1,094,625	1,461,974
Equity attributable to Shareholders ("NAV")	9,440,251	9,398,580	9,310,793	9,335,057
NAV per Share (RMB)^(Note)	6.45	6.42	6.36	6.37

Note: The figures are calculated based on the NAV of the respective year/period divided by the number of Shares in issue at the end of the respective year/period.

a. Total assets

As at 31 December 2021, 2022 and 2023, the total assets of the Group were RMB15,032.4 million, RMB14,448.7 million and RMB17,036.9 million, respectively, representing a decrease of 3.9% from 2021 to 2022 and an increase of 17.9% from 2022 to 2023. The decrease for 2022 was principally attributable to decrease in (i) property, plant and equipment of RMB233.5 million mainly arising from depreciation charge; and (ii) cash and cash equivalents of RMB249.1 million due to reduced cash flow from operations in 2022. The increase for 2023 was mainly due to the increase in (i) right-of-use assets of RMB1,332.8 million resulting from the renewal of the lease for the Shanghai Jiuguang Property; and (ii) cash and cash equivalents of RMB633.7 million and structured bank deposits of RMB580.0 million respectively as a result of improved operations in 2023 as well as surplus cash from the drawdown of the RMB3,300 million 15-year banking facility after repayment of the project loan of RMB2,240 million. The Group's total assets as at 30 June 2024 was RMB16,958.5 million which was at a similar level to that of 31 December 2023.

Property, plant and equipment and investment property

Property, plant and equipment and investment property accounted for 45.2%, 45.2%, 36.8% and 36.7% of the total assets as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. Property, plant and equipment are stated in the Group's consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Investment property is measured in the Group's consolidated statement of financial position at cost including transaction cost, less accumulated depreciation and accumulated impairment losses. The properties under "property, plant and equipment" mainly consist of the retail and carpark portion of JGC, Suzhou Jiuguang Property, Dalian Property and Shenyang Property, while the "investment property" is the office portion of JGC.

The property interests of the Group (the "**Properties**") have been valued by Knight Frank, an independent and duly qualified Hong Kong valuer. The full text of the independent property valuation report prepared by Knight Frank (the "**Property Valuation Report**") is set out in Appendix III to the Scheme Document. The market value of Properties as at 30 November 2024 (the "**Valuation Date**") was RMB11,192.0 million (or equivalent to approximately HK\$12,119.0 million, calculated based on the exchange rate of HK\$1:RMB0.92355).

We have reviewed the Property Valuation Report and noted that Knight Frank has adopted (i) income approach (term and reversion method) in valuing the office portion of JGC (held by the Group for investment purpose) and retail and carpark portion of JGC and Suzhou Jiuguang Property (held by the Group for operation of department stores and retailing businesses); and (ii) market approach in valuing Dalian Property and Shenyang Property (held by the Group but remaining vacant).

We have discussed with Knight Frank and were advised that the income approach, which capitalises the net income shown on tenancy schedules and make provisions for reversionary income potential, is suitable for valuation of (i) Properties held for investment as they are income-generating properties and their future incomes could be substantiated by tenancy schedules as well as referenced to market rents; and (ii) self-occupied Properties (other than Dalian Property and Shenyang Property) as they are used by the Group for daily operation of department stores and retailing businesses. We have obtained and reviewed the valuation workings in this regard including comparables considered and yields adopted, and noted that (i) Knight Frank capitalised the income stream of existing leases of the subject Properties as at the Valuation Date and added up the capitalised reversionary interests on the assumption that vacant units are fully let and expired leases are renewed at market rents as at the Valuation Date; (ii) the market rents adopted have been determined with reference to the asking rental rates of the office premises, or retail shops in same or nearby regions or the existing rental rate for carparking spaces; and (iii) the reversionary yields and term yields for office and retail properties have been determined with reference to yields implied by comparable market sales in 2024 in relation to office and retail properties in same or nearby regions and differences between reversionary yields and term yields adopted by other Hong Kong listed companies in property valuation, and the reversionary yields for carparking spaces has been determined based on Knight Frank's professional knowledge and their previous valuation experience.

As advised by Knight Frank, the market approach, which determines the appraised value of a property by comparing the property with identical or similar assets for which price information is available, is suitable for the valuation of Shenyang Property and Dalian Property as (i) they have remained vacant since 2015 and 2018 respectively due to weak local consumer market environment, no suitable business opportunities have been identified by the Management so far and no income has been generated from them ever since, but they are located in prime commercial regions and remain in good conditions for sale; and (ii) it is consistent with the approach adopted by the then independent valuer in valuing Shenyang Property as

set out in the Company's listing document dated 30 June 2016. We have obtained and reviewed the valuation workings in this regard including comparables considered and adjustments made, and noted that (i) Knight Frank has collected market sales in 2023 and 2024 in relation to retail properties and carparking spaces in the same or nearby regions; and (ii) adjustments have been made to comparable sales to take account of the discrepancies between the subject properties and collected comparables, including discrepancies in terms of location, age, size, transaction time and building quality.

Based on the above and considering Knight Frank is a well-recognised valuer and a member firm of RICS and the person-in-charge has over 15 years' experience in real estate industry and has conducted various assignments for different types of properties in PRC, United Kingdom and Asia Pacific region for various valuation purpose, we consider the valuation methodology, bases and assumption adopted for the valuation to be fair and reasonable and nothing has come to our attention that will cause us to doubt the fairness and reasonableness of the valuation.

Cash and cash equivalents and structured bank deposits

As at 30 June 2024, the Group had a total cash of RMB2,767.9 million, being the aggregate of cash and cash equivalents and structured bank deposits, or RMB1.89 per Share (equivalent to HK\$2.05 per Share), representing 109.2% higher than the Revised Cancellation Price. However, taking into account the Group's total borrowing of RMB3,258.0 million as at 30 June 2024 as set out in Table 2 above, the Group was in a net debt position, that is, no cash remains if all debts were paid off.

b. Total liabilities

The Group's total liabilities as at 31 December 2022 were RMB3,649.8 million, representing a decrease of 14% as compared to 31 December 2021 while the total liabilities as at 31 December 2023 were RMB6,020.4 million, representing an increase of 65% as compared to 31 December 2022. The decrease for 2022 was mainly due to the decrease in trade and other payables by RMB367.3 million mainly consisting of decrease in construction payable of RMB177.3 million and decrease in concessionaire sales payable of RMB166.4 million. The significant increase for 2023 was mainly due to (i) an increase in lease liabilities of RMB1,423.5 million resulting from the renewal of the lease for the Shanghai Jiuguang Property which has extended the lease term for a further 20 years; and (ii) a net increase in the bank borrowings of RMB1,038 million. The Group's total liabilities as at 30 June 2024 slightly declined by 3.5% as compared to 31 December 2023, totaling

RMB5,811.1 million, which was largely due to decrease in trade and other payables by RMB134.3 million as a result of a decrease in concessionaire sales payables.

c. NAV and adjusted NAV

The NAV of the Group were RMB9,335.1 million, RMB9,310.8 million, RMB9,398.6 million and RMB9,440.3 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The slight changes in the NAV of the Group were due to the loss incurred in 2022 and profit made in 2023 and 1H2024, respectively. As a result, the NAV per Share decreased from RMB6.37 per Share as at 31 December 2021 to RMB6.36 per Share as at 31 December 2022, but increased to RMB6.42 per Share as at 31 December 2023 and further to RMB6.45 per Share as at 30 June 2024.

Taking into account the effect of revaluation surplus arising from the valuation of the aforementioned Properties, set out below is the calculation of the adjusted unaudited net asset value of the Group (the “Adjusted NAV”) and Adjusted NAV per Share:

	<i>RMB'000</i>
NAV as at 30 June 2024 (unaudited)	9,440,251
<i>Adjustments:</i>	
Add: Revaluation surplus of the Properties ⁽¹⁾	3,066,367
Less: Deferred tax on revaluation surplus of the Properties ⁽²⁾	(766,592)
Adjusted NAV	<u>11,740,026</u>
Adjusted NAV per Share (RMB) ⁽³⁾	8.017
Adjusted NAV per Share (HK\$)	8.681
Revised Cancellation Price per Scheme Share (HK\$)	0.980
Discount to Adjusted NAV per Share	(88.7)%

Notes:

1. Based on the valuation of the Properties as at the Valuation Date as set out in the Independent Valuation Report and the carrying values of the Properties as at 30 June 2024.
2. Adjustment for the potential deferred tax arising from the revaluation surplus of the Properties as provided by the Management.
3. The calculation is based on the total issued shares of the Company of 1,464,448,500 as at the Latest Practicable Date.

As set out in the above table, the Revised Cancellation Price of HK\$0.980 per Scheme Share represents a discount of (88.7)% to the Adjusted NAV per Share of HK\$8.681.

Comments

As discussed above and taking into account the industry landscape as discussed in the section 1.3 below, the business performance of the Group, which focuses on the operation of department stores and retailing businesses in the PRC, are closely related to the PRC economy. As discussed in section 1.3 below, the rebound in the PRC retail market after the lifting of pandemic related restrictions and improved PRC economic performance in early 2023 lost steam soon as evidenced by double-digit YoY Changes in early 2023 turning to single-digit or even negative YoY Changes starting from 2nd half of 2023. The recent PRC economic downturn from 2022 coupled with the quick dissipation of pent-up demand has taken a toll on the Group's revenue from contracts with customers as evidenced by a 12.4% decrease in 1H2024 as compared to a 15.8% increase in 2023.

We are given the understanding by the Management that some Properties held by the Group are for operation of department stores or retailing businesses (retail and carpark portion of JGC and Suzhou Jiuguang Property) or investment income (office portion of JGC) and some Properties are vacant (Dalian Property and Shenyang Property). We have discussed with the Management and are advised that amid continued sluggish economy coupled with lingering impact of the pandemic, the Group has been identifying and evaluating from time to time business opportunities for the vacant properties with an aim to generate operating income and improve its overall profitability but without success over the years. In addition, the Management has been reviewing and will continue to review and consider the strategy of the Group under part of the Group's usual and ordinary course of business and may, from time to time, explore and implement business and operational initiatives, including consider divesting the vacant properties when such opportunities arise. However, in light of the continued sluggish economy, particularly the relatively weak property market and retailing environment in the PRC, the Management is of the view that the likelihood of selling the vacant properties is low in the foreseeable future. The Offeror has stated that it intends to continue with the existing businesses of the Group and does not intend to introduce major changes to the business of the Group (including redeployment of the fixed assets of the Group). We have discussed with the Management and were advised that, in view of the challenging retail market, the Management considers sufficient cash should be preserved to maintain and further improve the Group's business operations. Consequently, the assumption that the assets of the Group may be sold in the market based on its NAV or Adjusted NAV is not realistic or assumption that the Group may distribute most of its cash to Shareholders is unlikely.

We note that the Group’s auditor has issued a qualified opinion on the impairment of the trade receivables balance due from debtors in the Beiren Group (the “**Trade Receivables**”) as at 31 December 2019, 2020, 2021 and 2022, as the auditor was unable to obtain adequate evidence with respect to the current financial conditions of the debtors, guarantor, including latest financial information of the debtors, details of other assets (including nature, amounts, and claims or pledges against such assets, if any) of the guarantor that could be pursued to settle the Trade Receivables. According to 2023 Annual Report, the Group only holds a non-controlling interest in Beiren Group and has to rely on the management of the Beiren Group to take necessary actions. Despite that, the Group has sought independent legal advice from a PRC lawyer on the debtor’s and/or guarantor’s ability to repay the Trade Receivables in 2023 (the “**PRC Legal Opinion**”). According to the PRC Legal Opinion, the likelihood of recoverability of any balance of the Trade Receivables is very low. The Management has provided the auditor with the PRC Legal Opinion, based on which the auditor concurred with the Group’s assessment that the Trade Receivable were not recoverable as at 31 December 2023 and therefore has not issued a qualified opinion on the Group’s consolidated financial position as at 31 December 2023. However, the auditor was still unable to obtain sufficient appropriate audit evidence to assess the recoverable amount of the Trade Receivable as at 1 January 2023 which could have a consequential effect on (i) the Group’s share of profit of associates for the year ended 31 December 2023; and (ii) the Group’s profit attributable to the Shareholders and profit attributable to non-controlling interests for the year ended 31 December 2023. On these bases, we are of the view that nothing has come to our attention to doubt the fairness of the presentation of the Group’s consolidated financial statements and such qualification does not carry much weight on our analysis or consideration before arriving at our opinion.

1.3. Industry overview

The Group is principally engaged in the operation of “Jiuguang” department stores and related retailing business as well as property investment in the PRC. Based on 2023 Annual Report and 2024 Interim Report, sales of goods through direct sales and income from concessionaire sales contributed 75% or above of the Group’s revenue in 2022–2023 and 1H2024.

Set out below are the YoY Changes of PRC offline sales and PRC online sales:

TABLE 3: YOY CHANGES IN PRC OFFLINE SALES AND PRC ONLINE SALES

	2022		2023		2024	
	Offline sales ⁽¹⁾⁽²⁾	Online sales ⁽²⁾	Offline sales ⁽¹⁾	Online sales	Offline sales ⁽¹⁾⁽²⁾	Online sales ⁽²⁾
January & February ⁽³⁾	4.9%	12.3%	2.6%	6.8%	5.9%	4.2%
March	(5.5)%	2.7%	8.5%	16.6%	6.1%	(4.9)%
April	(14.1)%	(1.0)%	17.1%	22.3%	3.2%	(0.3)%
May	(13.3)%	14.3%	13.5%	10.8%	5.1%	0.3%
June	1.0%	8.2%	1.5%	6.7%	7.4%	(10.0)%
July	0.6%	10.1%	1.2%	6.6%	(1.0)%	13.7%
August	3.1%	12.8%	3.6%	7.6%	2.5%	0.9%
September	(1.2)%	14.5%	5.1%	6.6%	4.5%	(0.3)%
October	(7.8)%	22.1%	9.3%	3.7%	6.6%	0.3%
November	(10.5)%	3.9%	11.1%	8.1%	4.4%	0.2%
December	(7.3)%	15.6%	7.2%	8.0%	4.3%	2.3%
Average	(3.8)%	10.6%	6.9%	9.2%	4.6%	0.9%

Source: Website of National Bureau of Statistics of the PRC

Notes:

- (1) Offline sales is the difference between the retail sales and online sales as shown on website of National Bureau of Statistics of the PRC (“NBS”).
- (2) The figures in brackets signify negative figures.
- (3) No separate monthly data for each of January and February is available.

According to the data published on the website of NBS, while the initial recovery after the outbreak of pandemic was strong registering a gross domestic product (GDP) growth of 8.6% in 2021, the PRC economy grew by only 2.8% year-on-year in 2022. The economic slowdown coupled with pandemic related restrictions dampened consumer confidence and significantly reduced foot traffic in offline shops. In 2022, offline sales recorded YoY Changes ranging from (14.1)% to 4.9% with an annual average of (3.8)%. Online sales growth, however, significantly outperformed offline sales growth in 2022 with most of months exhibiting positive growth ranging from 2.7% to 22.1% to reach an annual average of 10.6%, which might benefit from pandemic related restrictions that forced consumers to switch to online shopping.

In 1H2023, the PRC GDP grew by 5.5% year-on-year, including a 6.3% year-on-year increase in the 2nd quarter of 2023. Furthermore, all COVID-19 restrictions got lifted in February 2023. Fueled by pent-up consumer demand

following the PRC GDP's improved performance and the lifting of pandemic related restrictions, offline sales bounced back and online sales showed robust growth momentum in 1H2023 as evidenced by their double-digit YoY Changes in April–May 2023. However, the growth in retail sales moderated in 2H2023, which, as reported by market intelligence firms including S&P Global, was due to weakening consumer confidence, persistent concerns over economic stability and changes in shopping patterns. During this period, the GDP growth slowed down as compared to 1H2023, resulting in a 5.3% GDP growth for the whole year.

In 2024, the offline sales continued to increase at a single digit growth rate, but online sales showed a slower or even negative growth as compared to earlier years of rapid expansion except for July 2024. It is reported by market intelligence firms and newspapers including S&P Global, PWC and Wallstreet Journal that the deceleration or negative growth in online sales was attributable to (i) market saturation in urban areas and increased competition among e-commerce platforms; and (ii) rising demand for in-person shopping experiences post-COVID. During this period, according to the data published on the website of NBS, PRC's GDP grew by 5.3% year-on-year in the first quarter of 2024 and then the growth moderated to 4.7% and 4.6% in the second quarter and third quarter of 2024 respectively.

Comments

The overall retail sales are closely tied to broader GDP performance and influenced by changing consumer preferences. Hoping to boost the economy to align the annual target of 5% GDP growth for 2024, according to State Council's September Key Policies (國務院9月重要政策) (the "Key Policies") published on the website of the State Council of the People's Republic Of China on 30 September 2024, Chinese government in late September 2024 has announced a raft of stimulus measures including interest rate cuts and elimination of certain restrictions on home purchases and debt swaps to ease the burden on local governments, the effectiveness of which, however, remains to be proven over time. As advised by the Management, the Group mainly focuses on providing physical shopping experiences to consumers and diverting consumption to offline physical stores by increasing promotion interactions with consumers through online apps. According to 2024 Interim Report, the Group's department stores and shopping mall in Shanghai are actively negotiating with a number of new brands to open their first store in Shanghai in the second half of the year, as well as to bring in more healthcare and nourishing health-preserving brands to cater for the needs of health-conscious consumers. The Group will (i) formulate and implement precise marketing and optimise its VIP membership program after analysing the consumption preferences and buying habits of customers and closely monitoring consumption trends and (ii) bolster the Jiuguang brand by using online social media platforms. Facing economic slowdown, e-commerce disruption and rapidly changing customer behaviour, the Management considers, and we concur, that continuous investments in

marketing and data analysis with an aim to optimising product mix and improving quality of services would be important for the Group to stay competitive in the PRC's ever-evolving retail landscape, and the Amended Proposal provides an opportunity for the Scheme Shareholders to cash out their investments in the Company.

2. Principal terms of the Amended Proposal

Under the Amended Proposal, if the Scheme is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration therefor, each Scheme Shareholders as at the Scheme Record Date will be entitled to receive the Revised Cancellation Price of HK\$0.980 in cash for each Scheme Share cancelled and extinguished.

For each Scheme Share HK\$0.980 in cash

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

As at the Latest Practicable Date, the Company had not declared any dividend, or other distribution and/or other return of capital which remains unpaid, and the Company did not intend to make, declare and/or pay any dividend, or make other distribution and/or other return of capital on or before the Effective Date or the date on which the Scheme is not approved, or the Amended Proposal otherwise lapses (as the case may be). In the event that any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Scheme Shares after the Latest Practicable Date, the Offeror reserves the right to reduce the Revised Cancellation Price in compliance with the Takeovers code, in which case, any reference in the Amended Proposal Announcement, the Scheme Document, or any other announcement(s) or document(s) to the Revised Cancellation Price will be deemed to be a reference to the Revised Cancellation Price as so reduced.

The Offeror will not further increase the Revised 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 Revised Cancellation Price.

Major Conditions of the Amended Proposal

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

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting in person or by proxy at the Court Meeting in accordance with the requirements of section 86 of the Companies Act as at the date of the Court Meeting;
- (b) (i) the approval of the Scheme (by way of poll) at the Court Meeting by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders entitled to vote at the Court Meeting that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Shareholders;
- (c) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting (i) to approve and give effect to any reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares and (ii) to approve the simultaneous maintenance of the share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by allotting and issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and
- (d) the Grand Court's sanction of the Scheme (with or without modification) under section 86 of the Companies Act, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration.

Further details of the Conditions are contained in "Explanatory Memorandum" in Part VII of the Scheme Document. The Offeror reserves the right to waive all or any of the Conditions (except for (a) — (d)) as set out above in whole or in part, which is not uncommon in Hong Kong privatisation cases by way of a scheme of arrangement and thus we consider to be fair and reasonable.

As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will not become effective and the Amended Proposal will lapse. If the Conditions are satisfied or (where applicable) waived and if the Scheme is approved, the Scheme will be binding on the Company and all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

Withdrawal of listing of the Shares and Intention of the Offeror with regard to the Group

As at the Latest Practicable Date, the Offeror intends to continue the existing businesses of the Group, which principally comprise of operation of department stores and other related retailing businesses and property investment in the PRC. The Offeror does not have any plan to make any material change to:

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

as a result of the implementation of the Amended Proposal and the Scheme.

After completion of the Amended Proposal, the Offeror will continue to review and consider the strategy of the Group under part of the Group's usual and ordinary course of business and may, from time to time, explore and implement business and operational initiatives with the objective of aiming to enhance the business operations of the Group as and when such opportunities arise.

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

3. Reasons for and benefits of the Amended Proposal

As disclosed in “Explanatory Memorandum” in Part VII of the Scheme Document, in view of (i) downward trend of the trading price of the Shares in recent years and (ii) low trading liquidity of the Shares since its listing, the Board considers that the Amended Proposal (i) represents an opportunity for the Scheme Shareholders to monetise their Shares for cash at a premium amidst challenging and uncertain market conditions and low trading liquidity of the Shares; and (ii) which entails the delisting of the Company from a listing platform of limited usage, is also expected to reduce the administrative costs and management resources associated with maintaining the Company’s listing status and compliance with ongoing regulatory requirements as listed company.

Comments

The Company was listed by way of introduction in 2016 and previously a wholly-owned subsidiary of Lifestyle International Holdings Limited (“**Lifestyle International**”), a company previously listed on the Stock Exchange. The separate listing was effected solely by way of distribution in specie, that is, the shareholders of Lifestyle International were allotted the Shares without payment and became the Shareholders immediately before the listing of the Company. Lifestyle International was privatised by the same ultimate owner of the Offeror in 2022 and the Shareholders theoretical exited their investment in Lifestyle International. As discussed in section 1.1 above, the Company has not declared any dividend since its listing due to reservation of cash for the development of JGC until 2021 and non-distributable share of profits of the Group’s associates, which were substantially higher than the profit attributable to Shareholders in 2021-2023 and 1H2024.

The limited usefulness of a listed platform to raise funds for financing business development has been a common reason for the recent privatisation proposals in Hong Kong, principally due to depressed valuations. Against this backdrop, listed companies (including the Company) are receiving proposals from their controlling shareholders at offer prices representing considerable premiums over the prevailing market prices.

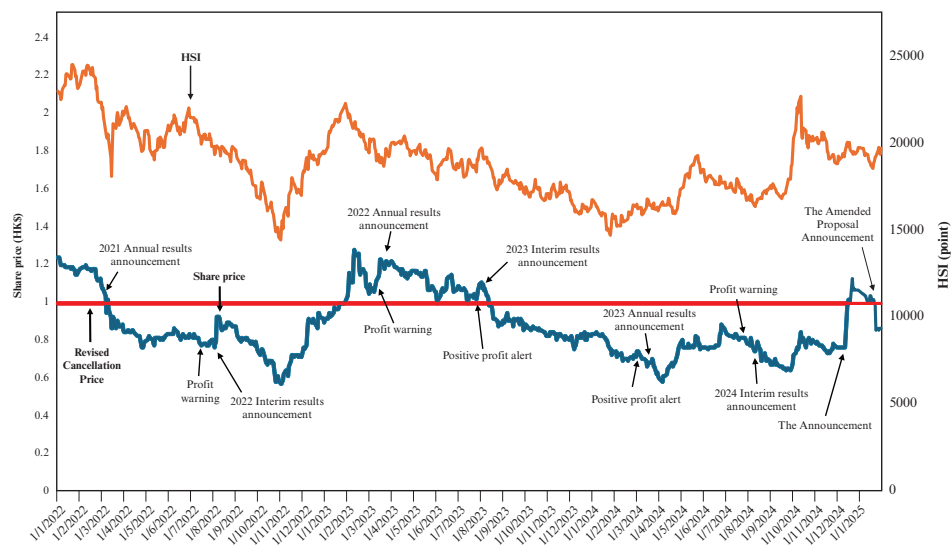
4. Evaluation of the Revised Cancellation Price

4.1. Share analysis

(a) Share price performance

Set out below is the movement of the closing prices of the Shares on the Stock Exchange during the period from 1 January 2022 up to and including the Latest Practicable Date (the “**Review Period**”), which covers recent major announcements of the Company published during the Review Period. The Review Period is considered sufficient to provide a general overview of the recent market performance of the Shares. The Share price performance during the Review Period is illustrated as follows:

FIGURE 1: SHARE PRICE PERFORMANCE COMPARED TO REVISED CANCELLATION PRICE AND HANG SENG INDEX (“HSI”)



Source: Bloomberg and website of the Stock Exchange

The Shares closed between HK\$0.56 and HK\$1.26 commencing from the beginning of the Review Period until the Latest Practicable Date. The Revised Cancellation Price of HK\$0.980 has been higher than the closing prices of the Shares in 547 trading days out of a total of 752 trading days during the Review Period. During the Review period, the closing prices of the Shares have generally moved in line with HSI.

As illustrated in the above figure, the Share closing price moved quite in line with HSI. It exhibited a downward trend amid the resurgences of COVID-19 caused by new variants from the beginning of the Review Period until when it hit its lowest at HK\$0.56 per Share on 31 October and 1 November 2022. The Share closing price then commenced its uptrend thereafter and reached its highest of HK\$1.26 on 8 February 2023 after the PRC government announced the relaxation of COVID-19 restrictions. The Share closing prices fluctuated between HK\$1.00 and HK\$1.20 until August 2023. On 25 July 2023, the Company issued a positive profit alert that the Group is expected to record net profit of not less than RMB110 million for the six months ended 30 June 2023 as compared to that of RMB27.88 million for the corresponding period in the previous year. Such expected increase was primarily due to the gradual recovery and normalisation of the Group's business operations in Shanghai and Suzhou following abolition of the zero-COVID policy. However, the Share price subsequently resumed its downtrend after 1H2023 results were announced in August 2023 and gradually declined to HK\$0.57 on 2 April 2024. On 19 March 2024, the Company reported a 19.6% increase in revenue and turned from loss making in 2022 into profitable of RMB87.8 million in 2023. Taking a closer look, the Group actually suffered from net loss of RMB39.8 million in 2H2023. The Share closing price then oscillated between HK\$0.60 and HK\$0.87 until late-September 2024, which moved quite in line with the HSI.

On 24 September 2024, the PRC regulatory authorities announced stimulus package aiming at revitalising the economy, which includes cut(s) in mortgage-debt servicing and provision of facilities for stock markets. According to the Key Policies, these actions can enhance disposable income for consumers and encourage investment, thereby boosting overall economic activity and consumer confidence. The Share price surged by 17.2% from HK\$0.64 per Share on 24 September 2024 to HK\$0.75 on the Last Trading Date (i.e. 2 December 2024).

After the release of the Announcement and up to the last trading day before the Amended Proposal Announcement, the closing price of the Shares was between HK\$0.96 and HK\$1.11, with an average closing price of HK\$1.02. After the publication of the Amended Proposal Announcement, the closing price of the Shares decreased by 14.3% to HK\$0.84 on the next trading day. The Share price closed at HK\$0.85 as at the Latest Practicable Date. The Revised Cancellation Price of HK\$0.980 per Scheme Share represents a premium of approximately 15.3% over the closing price of the Share on the Latest Practicable Date. The Company's announcements of its interim and annual results during the Review Period also did not seem to generate any marked impact on the Share price.

(b) Revised Cancellation Price comparison

A comparison of the Revised Cancellation Price of HK\$0.980 per Scheme Share with the recent closing prices of the Shares and NAV per Share is set out as follows:

TABLE 4: SHARE PRICE COMPARISON

	Closing price or average closing price of the Shares	Premium represented by the Revised Cancellation Price
Latest Practicable Date	HK\$0.850	15.3%
Last Trading Date	HK\$0.750	30.7%
5 trading days ⁽¹⁾	HK\$0.750	30.7%
10 trading days ⁽¹⁾	HK\$0.753	30.1%
30 trading days ⁽¹⁾	HK\$0.754	30.0%
60 trading days ⁽¹⁾	HK\$0.732	33.9%
90 trading days ⁽¹⁾	HK\$0.728	34.6%
120 trading days ⁽¹⁾	HK\$0.747	31.2%
180 trading days ⁽¹⁾	HK\$0.733	33.7%
		Discount represented by the Revised Cancellation Price
	NAV per Share⁽²⁾	
As at 30 June 2024	HK\$6.981	(86.0)%

Source: Bloomberg and the website of the Stock Exchange

Notes:

- Up to and including the Last Trading Date.
- Calculated based on the Group's NAV as at 30 June 2024 and the number of Shares in issue as at 30 June 2024 using the exchange rate of HK\$1 : RMB0.92343, the central parity rate published by the People's Bank of China as at the Last Trading Date.

The Revised Cancellation Price of HK\$0.980 represents premiums of approximately 30.0%–34.6% over the closing price of the Share on the Last Trading Date and the average closing prices of the Shares for the 5, 10, 30, 60, 90, 120 and 180 trading days (up to and including the Last Trading Date) before the release of the Announcement. The Revised Cancellation Price represents a discount of 86.0% over the latest NAV per Share as at 30 June 2024.

On the Latest Practicable Date, the Revised Cancellation Price represents a premium of 15.3% over the closing price of the Share. The Share price movement following the publication of the Announcement and the Amended Proposal Announcement is likely to be influenced by the Proposal and the Amended Proposal. As such, we consider that there is no assurance that the Share price will remain at the current levels should the Amended Proposal lapse.

(c) Premium/(discount) of the Share price over/to the NAV per Share

In assessing the fairness and reasonableness of the Revised Cancellation Price, we have reviewed, as set out in the table below, the Share prices, the NAV per Share and premium/(discount) of Share prices over/(to) NAV per Share (based on the interim and annual results announcements and the monthly returns) on a monthly basis during the Review Period:

TABLE 5: PREMIUM/(DISCOUNT) OF THE SHARE PRICE OVER/TO THE NAV PER SHARE

	2022		2023		2024		2025		
	Share price HK\$	NAV per share ⁽²⁾ HK\$	Share price HK\$	NAV per share ⁽²⁾ HK\$	Share price HK\$	NAV per share ⁽²⁾ HK\$	Share price HK\$	NAV per share ⁽²⁾ HK\$	
January ⁽¹⁾	1.13-1.22	7.81- 7.87	0.90-1.06	7.18- 7.44	0.70-0.83	7.08- 7.12	0.84-1.02	6.97- 7.00	Premium/ (Discount) of Share price over/ (to) NAV per Share (88.0)%- (85.4)%
February	1.10-1.18	7.81- 7.90	1.03-1.26	7.21- 7.47	0.68-0.73	7.09- 7.10			(90.1)%-(88.3)% (90.4)%-(89.7)%
March	0.84-1.08	7.82- 7.93	1.04-1.21	7.20- 7.31	0.59-0.72	7.07- 7.11			(91.7)%-(89.9)% (91.9)%-(88.8)%
April	0.75-0.84	7.56- 7.87	1.11-1.18	7.21- 7.27	0.57-0.79	7.07- 7.09			(89.5)%-(88.5)% (89.5)%-(87.6)%
May	0.76-0.82	7.37- 7.62	1.00-1.15	7.03- 7.23	0.74-0.81	7.04- 7.07			(89.2)%-(88.3)% (90.7)%-(88.9)%
June	0.79-0.85	7.41- 7.51	0.98-1.13	6.90- 7.03	0.74-0.87	7.03- 7.06			(91.2)%-(89.9)% (89.6)%-(88.4)%
July	0.76-0.82	7.39- 7.47	0.98-1.09	6.90- 6.97	0.76-0.82	7.02- 7.03			(89.7)%-(89.0)% (89.7)%-(88.9)%
August	0.75-0.91	7.28- 7.45	0.86-1.08	6.96- 7.05	0.66-0.78	7.00- 7.07			(88.0)%-(86.8)% (88.5)%-(87.8)%
September	0.73-0.83	7.06- 7.29	0.84-0.93	7.00- 7.04	0.63-0.72	7.06- 7.15			(88.8)%-(88.2)% (89.6)%-(84.1)%
October	0.56-0.74	6.99- 7.07	0.81-0.86	7.02- 7.03	0.74-0.83	7.02- 7.15			(89.7)%-(89.0)% (89.3)%-(84.1)%
November	0.56-0.73	6.92- 7.11	0.79-0.83	7.01- 7.08	0.72-0.77	6.96- 7.06			
December	0.74-0.93	7.00- 7.17	0.74-0.83	7.07- 7.11	0.75-1.11	6.96- 6.98			

Notes:

- Up to and including the Latest Practicable Date for January 2025.
- It refers to the NAV per Share, which is calculated based on the Group's latest disclosed NAV and the number of Shares in issue as at the end of the respective month and converted to HK\$ based on the daily central parity rate published by the People's Bank of China on its website.

During the Review Period, we noted that the NAV per Share in Hong Kong dollar has generally been on a downward trend as illustrated in above table. The NAV per Share decreased from HK\$7.93 in March 2022 to HK\$6.92 in November 2022, which was primarily due to the depreciation of Renminbi, the reporting currency of the Company, against Hong Kong dollar, from HK\$1: RMB0.80638 as at 4 March 2022 to HK\$1: RMB0.92429 as at 4 November 2022. In early 2023, the Renminbi experienced an appreciation against Hong Kong dollar and the NAV per Share reached its peak in 2023 at HK\$7.47 on 2 February 2023. From March 2023 to August 2023, a gradual depreciation of Renminbi was observed, resulting in a gradually decreasing NAV per Share. In late 2023 and 2024, the NAV per Share ranged from HK\$6.96 to HK\$7.15 as the exchange rate was stable at the range of HK\$1: RMB0.90112 to HK\$1: RMB0.92604.

During the Review Period, the Shares have been traded at discounts within the range of 83.0%–92.0% to the NAV per Share. After publication of the Announcement and the Amended Proposal Announcement, the Shares traded at discounts of 84.1% to 88.0% from December 2024 to the Latest Practicable Date.

The discount represented by the Revised Cancellation Price to NAV per Share as at 30 June 2024 was 86.0% but was still narrower than those represented by the closing price of the Share in 565 days out of 752 days during the Review Period, which implies that, during most of time of the Review Period, (i) the market has persistently valued the Company below its NAV; and (ii) the Revised Cancellation Price offers an opportunity for the Scheme Shareholders to cash out their investment in the Company at a price higher than what the market normally offers. On this basis, we consider the discount represented by the Revised Cancellation Price to NAV per Share to be justifiable.

(d) Trading liquidity

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume of the Shares to the total issued Shares and public float of the Company during the Review Period:

TABLE 6: TRADING LIQUIDITY OF THE SHARES

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the public float (Note 2)
2022			
January	4,568,500	0.31%	1.24%
February	9,860,000	0.67%	2.69%
March	19,054,000	1.30%	5.19%
April	7,379,500	0.50%	2.01%
May	2,471,500	0.17%	0.67%
June	6,172,686	0.42%	1.68%
July	4,865,500	0.33%	1.33%
August	11,876,814	0.81%	3.24%
September	3,721,000	0.25%	1.01%
October	9,806,500	0.67%	2.67%
November	7,422,000	0.51%	2.02%
December	13,355,500	0.91%	3.64%
2023			
January	8,069,000	0.55%	2.20%
February	44,625,000	3.05%	12.16%
March	25,954,100	1.77%	7.07%
April	5,046,500	0.34%	1.37%
May	7,835,000	0.54%	2.13%
June	5,930,000	0.40%	1.62%
July	9,679,000	0.66%	2.64%
August	10,261,833	0.70%	2.80%
September	3,799,500	0.26%	1.03%
October	6,504,500	0.44%	1.77%
November	5,130,500	0.35%	1.40%
December	4,862,471	0.33%	1.32%

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the public float (Note 2)
2024			
January	4,618,500	0.32%	1.26%
February	4,172,000	0.28%	1.14%
March	10,810,000	0.74%	2.94%
April	6,407,000	0.44%	1.75%
May	7,310,000	0.50%	1.99%
June	11,042,000	0.75%	3.01%
July	3,849,000	0.26%	1.05%
August	3,126,000	0.21%	0.85%
September	13,013,500	0.89%	3.54%
October	46,638,500	3.18%	12.70%
November	10,185,500	0.70%	2.77%
December ^(Note 3)	92,585,600	6.32%	25.22%
2025			
January (up to and including the Latest Practicable Date) ^(Note 4)	83,346,500	5.69%	22.70%

Source: Bloomberg and the website of the Stock Exchange

Notes:

- (1) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares in issue as at the end of each month or the Latest Practicable Date, as applicable.
- (2) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public as at the end of each month or the Latest Practicable Date based on the information provided by the Company, as applicable.
- (3) Trading in the Shares was suspended during the period from 3 December 2024 up to and including 6 December 2024 pending the release of the Announcement.
- (4) Trading in the Shares was suspended on 16 January 2025 pending the release of the Amended Proposal Announcement.

We have reviewed the Comparable Companies (as defined below) and noted that the average of their total monthly trading volume of shares to public float in 2024 (excluding December) ranged from 0.67% to 3.06%. As such, the liquidity of the Shares during 2024 (excluding December) is within the range of its Comparable Companies. From the Review Period, the monthly turnover of the Shares stayed within the range of 0.17%–1.30% of the total issued Shares and 0.67%–5.19% of the public float save for February 2023, March 2023, October 2024 and December 2024. Surges in trading turnover of the Shares were seen in those months, coupled with fluctuations of Share closing prices. The surge in trading volume observed in February and March 2023 might be attributable to Hong Kong — PRC border reopening in the first quarter of 2023 while the increase in October 2024 might be due to the PRC stimulus package as discussed above. The trading in the Shares was suspended for four days in December 2024. Following the publication of the Announcement, the trading volume surged again in December 2024 to 6.32% of the total issued Shares and 25.22% of the public float, which, in our view, was principally related to the Proposal, and may not continue if the Amended Proposal lapses.

As the Shares cannot be regarded as having been actively traded, the Amended Proposal provides an exit opportunity for the Scheme Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price under the Amended Proposal without disturbing the market price.

Comments

The Share price not only moved quite closely with the HSI but also reacted to the changing operating environment as well as financial performance of the Group in a timely manner. The Share price was on a downward trend since the outbreak of COVID-19 until the lifting of the pandemic-related restrictions by the PRC government in 2023. The Share price reached its highest of HK\$1.26 on 8 February 2023 and then moved between HK\$1.00 and HK\$1.20 until August 2023. On 2 August 2023, the Group reported a net profit of RMB127.6 million for 1H2023. The Share price then fell gradually to HK\$0.57 on 2 April 2024. Considerable loss for 2H2023 is seen in the Company's 2023 annual results which was announced on 19 March 2024. Both revenue and net profit of the Group decreased in 1H2024. The Share price closed between HK\$0.57 and HK\$0.87 during the period from 19 March 2024 when 2023 annual results was announced to 8 August 2024 when 1H2024 results were announced, with an average of HK\$0.75. The Share price seems to be sensitive to the change in operating environment of the Group and its financial performance.

The Revised Cancellation Price of HK\$0.980 per Scheme Share represents premiums of approximately 30.0% to 34.6% over the closing price of the Share on the Last Trading Date and the average closing price of the Share for 5, 10, 30, 60, 90, 120, and 180 trading days (up to and including the Last Trading Date) before the release of the Announcement. Furthermore, the Revised Cancellation Price of HK\$0.980 has been higher than the closing prices of the Shares in 547 trading days out of a total of 752 trading days during the Review Period. The Revised Cancellation Price is 86.0% lower than the NAV per Share as at 30 June 2024. Nevertheless, the discount represented by the Revised Cancellation Price to the latest NAV per Share is narrower than those of the closing Share price in the vast majority of the trading days during the Review Period. On the above basis, the Amended Proposal provides an opportunity for the Shareholders (especially those with relatively sizeable shareholdings) who would like to realise their investments in the Shares at a fixed cash price without disturbing the market price.

The out-performance of the Share closing prices after the Announcement is, in our opinion, due to the Proposal under which the Offeror did not make a “No price increase statement” as many other privatisations do. Speculations about the possible increase in the cancellation price drove up the Share closing prices, which went higher than both Original Cancellation Price and Revised Cancellation Price, during the period between the Announcement and the Amended Proposal Announcement. On 15 January 2025, the Offeror notified the Company its decision to increase the cancellation price from HK\$0.913 to HK\$0.980 per Scheme Share and **the Revised Cancellation Price will not be further increased**. After the publication of the Amended Proposal Announcement, the closing price of the Shares decreased by 14.3% to HK\$0.84 on the next trading day. The Share price closed at HK\$0.85 as at the Latest Practicable Date. If the Amended Proposal fails and the Share price reverts to its previous close alignment with the Hang Seng Index, Shareholders should therefore be aware that the current Share price may not continue should the Amended Proposal lapse and the Share price may return to the undisturbed level.

4.2. Comparable companies

Given the Group is principally engaged in the operation of department stores in the PRC, we have endeavored to identify companies listed on the Main Board of the Stock Exchange which are mainly engaged in operation of department stores with over 50% of its latest reported annual revenue generated in the PRC under department store category on the website of AASTOCKS (www.aastocks.com). A total of 7 companies have been identified (the “**Comparable Companies**”) based on the aforementioned criteria. The Comparable Companies so far as we are aware of, are exhaustive based on the aforementioned selection criteria.

In conducting our analysis, we have compared the price-to-sales ratio (“**PSR**”), price-to-earning ratio (“**PER**”) and price-to-book ratio (“**PBR**”) of the Company implied by the Revised Cancellation Price with those of the Comparable Companies, which, we consider, are widely accepted multiples to evaluate a company. Details of the Comparable Companies are set out in the table below:

TABLE 7: COMPARABLE COMPANIES

Company (stock code)	Market Capitalisation⁽¹⁾ (in HK\$ million)	PSR⁽²⁾ (times)	PER⁽³⁾ (times)	PBR⁽⁴⁾ (times)
Maoye International Holdings Limited (848.HK)	786	0.17	n.a. ⁽⁵⁾	0.06
New World Department Store China Limited (825.HK, “New World China”)	506	0.37	37.99	0.15
Parkson Retail Group Limited (3368.HK)	271	0.08	n.a. ⁽⁵⁾	0.08
AEON Stores (Hong Kong) Co., Limited (984.HK)	116	0.01	n.a. ⁽⁵⁾	n.a. ⁽⁶⁾
Shirble Department Store Holdings (China) Limited (312.HK)	92	0.44	n.a. ⁽⁵⁾	0.11
Century Ginwa Retail Holdings Limited (162.HK)	87	0.20	n.a. ⁽⁵⁾	0.11
Jiahua Stores Holdings Limited (602.HK)	33	0.08	n.a. ⁽⁵⁾	n.a. ⁽⁶⁾

Company (stock code)	Market Capitalisation ⁽¹⁾ (in HK\$ million)	PSR ⁽²⁾ (times)	PER ⁽³⁾ (times)	PBR ⁽⁴⁾ (times)
	Highest	0.44	n.a. ⁽⁷⁾	0.15
	Lowest	0.01	n.a. ⁽⁷⁾	0.06
	Average	0.19	n.a. ⁽⁷⁾	0.10
	Median	0.17	n.a. ⁽⁷⁾	0.11
The Company (2136.HK) based on the Revised Cancellation Price of HK\$0.980	1,098	1.03⁽⁸⁾	739.95⁽⁸⁾	0.11⁽⁹⁾

Source: Bloomberg and the websites of the Comparable Companies and the Stock Exchange

Notes:

- The market capitalisation of the Comparable Companies and the Company are calculated based on the closing price of the respective companies as at the Last Trading Date (being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to the announcement of the Proposal) multiplied by the number of issued outstanding shares based on the latest monthly returns.
- The PSRs of the Comparable Companies are calculated based on their respective market capitalisation as at the Last Trading Date (being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to the announcement of the Proposal) divided by their respective revenue for the trailing 12-month period ended 30 June 2024 as referenced from their respective latest published annual and/or interim reports which, in our view, would have taken into account their fluctuation in sales due to seasonal factors, if any.
- The PERs of the Comparable Companies are calculated based on their respective market capitalisation as at the Last Trading Date (being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to the announcement of the Proposal) divided by their respective profit attributable to the shareholders for the trailing 12-month period ended 30 June 2024 as referenced from their respective latest published annual and/or interim reports which, in our view, would have taken into account their fluctuation in sales due to seasonal factors, if any.
- The PBRs of the Comparable Companies are calculated based on their respective market capitalisation as at the Last Trading Date (being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to the announcement of the Proposal) divided by their respective net assets attributable to the shareholders as referenced from their respective latest published financial reports.
- Not applicable as the subject company recorded net loss.
- Not applicable as the subject company was in net liability position.
- Not applicable as New World China is the only comparable company recorded net profit attributable to shareholders for the trailing 12-month period ended 30 June 2024.

8. The PSR and PER of the Company implied by the Revised Cancellation Price are calculated based on the Revised Cancellation Price of HK\$0.980 and the total number of Shares in issue as at the Last Trading Date divided by revenue and net profit for the trailing 12-month period ended 30 June 2024 as referenced from its latest published annual and interim reports, in our view, would have taken into account their fluctuation in sales due to seasonal factors, if any.
9. The PBR of the Company implied by the Revised Cancellation Price are calculated based on the Revised Cancellation Price of HK\$0.980 and the total number of Shares in issue as at the Last Trading Date divided by the Adjusted NAV.

All Comparable Companies except for New World China reported loss for the latest trailing 12-month period. The PER of the Company, based on the Revised Cancellation Price and its net profit for latest 12-month period, produces anomalies result of 739.95 times, which, in our view, is not appropriate for analysis purpose.

The PSRs and PBRs of the Comparable Companies range from 0.01 times to 0.44 times with an average of 0.19 times and a median of 0.17 times and from 0.06 times to 0.15 times with an average of 0.10 times and a median of 0.11 times, respectively. The PSR of the Company implied by the Revised Cancellation Price of 1.03 times is substantially higher than those of the Comparable Companies while the PBR of the Company implied by the Revised Cancellation Price of 0.11 times falls within the range of those of the Comparable Companies and is above the average and equal to median of those of the Comparable Companies.

Comments

All Comparable Companies except for New World China reported loss in the latest 12-month period and therefore no PER could be appraised. It has further proved that department store operators have been struggling with insufficient consumption and sluggish growth which led to an overall loss of profitability. The bumpy profitability of the Company resulted in exceptionally high PER which made it inappropriate for analysis purpose.

On the basis that the PSR of the Company implied by the Revised Cancellation Price is substantially higher than those of the Comparable Companies and the PBR of the Company implied by the Revised Cancellation Price falls within the range of the Comparable Companies and close to the average and median of those of the Comparable Companies, we consider the Revised Cancellation Price of HK\$0.980 to be acceptable.

4.3. Privatisation precedents

To assess the fairness and reasonableness of the Revised Cancellation Price, we have researched all successful privatisation proposals involving companies listed on the Main Board of the Stock Exchange that were announced and completed during the Review Period (the “**Privatisation Precedents**”). Although the Privatisation Precedents may involve an offeree company with different business nature, scale, industries, financials, historical price performance, the Privatisation Precedents, in our view, provide a comprehensive overview of the recent pricing of recent transactions of this type and the premiums or discounts that most of independent shareholders are willing to accept for tendering their shares in a privatisation transaction. The Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the aforesaid criteria, a summary of which is set out in the table below.

TABLE 8: PRIVATISATION PRECEDENTS

Date of initial announcement ⁽²⁾	Company name (stock code)	Last full trading day ⁽⁵⁾	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over ⁽¹⁾							Premium or (discount) represented by offer/cancellation price over/to NAV per share/adjusted NAV per share ⁽⁵⁾
			5-trading day ⁽⁴⁾	10-trading day ⁽⁴⁾	30-trading day ⁽⁴⁾	60-trading day ⁽⁴⁾	90-trading day ⁽⁴⁾	120-trading day ⁽⁴⁾	180-trading day ⁽⁴⁾	
16 July 2024	Samson Holding Ltd. (531)	77.8%	86.8%	105.4%	150.1%	186.7%	184.5%	172.8%	150.6%	(47.1)%
19 June 2024	Asia Standard Hotel Group Limited (292) ("ASH")	52.8%	48.6%	41.0%	57.1%	71.9%	71.9%	64.2%	48.7%	(98.6)% ⁽⁶⁾
12 June 2024	A8 New Media Group Limited (800)	162.8%	159.0%	168.7%	185.7%	185.7%	174.8%	155.3%	126.4%	(48.1)%
27 May 2024	Huafa Property Services Group Company Limited (982)	30.6%	36.8%	40.1%	70.6%	82.4%	88.3%	89.5%	104.2%	970.1%
29 April 2024	L'Occitane International S.A. (973)	30.8%	36.1%	40.6%	49.9%	60.8%	60.5%	52.4%	53.8%	593.5%
18 April 2024	Kin Yat Holdings Limited (638)	33.3%	43.4%	47.3%	51.5%	53.6%	55.9%	63.5%	72.1%	(57.4)%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600)	33.9%	36.0%	36.2%	47.5%	47.9%	48.7%	58.1%	67.1%	228.4%
9 February 2024	IntelliCentrics Global Holdings Ltd. (6819) ⁽⁷⁾	20.5%	20.4%	19.3%	13.6%	11.4%	10.7%	2.8%	(4.4)%	NA ⁽⁸⁾
26 January 2024	Bank of Jinzhou Co., Ltd. (416)	0.0%	(0.6)%	(1.0)%	0.3%	15.4%	34.8%	43.0%	36.5%	(71.9)%
14 December 2023	Sinofit Technology Group Limited (1297)	29.4%	30.4%	31.2%	31.1%	22.5%	15.0%	11.4%	14.2%	(78.9)%
4 December 2023	Weiqiao Textile Company Limited (2698)	104.7%	104.9%	102.7%	111.1%	142.9%	147.5%	143.6%	144.9%	(78.3)%
28 November 2023	CIMC Vehicles (Group) Co., Ltd. (1839)	16.5%	17.9%	21.0%	25.4%	19.1%	15.9%	15.2%	12.6%	(6.3)%
20 November 2023	Vinda International Holdings Limited (3331)	20.1%	19.7%	21.4%	21.3%	25.7%	29.2%	26.9%	22.0%	145.2%
6 October 2023	Haitong International Securities Group Limited (665)	114.1%	111.1%	108.2%	126.5%	122.2%	124.5%	125.2%	110.5%	(39.3)%
6 October 2023	Pine Care Group Limited (1989)	(1.1)%	0.7%	0.9%	1.5%	8.9%	22.9%	29.9%	43.8%	(7.9)%
15 September 2023	Lansen Pharmaceutical Holdings Limited (503)	26.8%	24.1%	22.5%	20.0%	15.4%	20.8%	21.6%	23.3%	22.1%
1 September 2023	CST Group Limited (985)	61.3%	24.4%	21.4%	36.6%	(1.4)%	(14.9)%	(24.0)%	(33.8)%	(60.7)%
27 June 2023	Dali Foods Group Company Limited (3799)	37.9%	36.4%	39.4%	30.2%	21.8%	18.7%	14.7%	13.0%	151.7%
27 June 2023	Poly Culture Group Corporation Limited (3636)	77.6%	112.5%	125.2%	133.1%	129.8%	129.0%	126.0%	138.4%	(30.9)%
23 June 2023	Yongsheng Advanced Materials Company Limited (3608)	58.7%	55.8%	61.0%	52.9%	38.5%	34.4%	29.9%	28.7%	(46.5)%
11 June 2023	Mason Group Holdings Limited (273)	20.7%	20.7%	19.4%	19.0%	16.2%	12.7%	13.9%	19.0%	(60.1)%

Date of initial announcement ⁽²⁾	Company name (stock code)	Last full trading day ⁽³⁾	Premium or (discount) represented by offer/cancellation price over/to closing share price/average share price on/over ⁽¹⁾							Premium or (discount) represented by offer/cancellation price over/to latest NAV per share/adjusted NAV per share ⁽⁵⁾
			5-trading day ⁽⁴⁾	10-trading day ⁽⁴⁾	30-trading day ⁽⁴⁾	60-trading day ⁽⁴⁾	90-trading day ⁽⁴⁾	120-trading day ⁽⁴⁾	180-trading day ⁽⁴⁾	
28 May 2023	Golden Eagle Retail Group Limited (3308) (“Golden Eagle”)	63.4%	66.6%	61.5%	55.3%	49.9%	54.6%	49.2%	45.2%	(47.4)%
8 May 2023	Hailan Holdings Limited (2278)	5.0%	5.0%	5.0%	5.0%	5.0%	8.7%	14.7%	3.7%	(60.2)%
29 March 2023	Inner Mongolia Yitai Coal Co., Ltd. (3948)	54.9%	58.7%	63.7%	67.3%	64.2%	65.1%	66.2%	63.2%	(6.0)%
21 February 2023	Jiangnan Group Limited (1366)	83.5%	100.0%	106.2%	107.3%	102.0%	91.4%	83.5%	77.8%	(63.8)%
17 February 2023	AAG Energy Holdings Limited (2686)	10.1%	10.1%	9.3%	10.8%	24.2%	27.2%	25.9%	25.9%	(27.5)%
24 October 2022	Kingston Financial Group Limited (1031)	47.8%	48.4%	47.6%	39.4%	33.3%	29.9%	26.6%	11.0%	(80.2)%
8 August 2022	EVOC Intelligent Technology Company Limited (2308)	52.2%	49.6%	48.3%	45.8%	52.2%	53.5%	50.9%	47.1%	(55.4)%
5 August 2022	Lifestyle International (1212)	62.3%	75.9%	81.9%	70.1%	58.7%	48.1%	38.7%	30.0%	(52.8)%
9 June 2022	China VAST Industrial Urban Development Company Limited (6166)	30.4%	29.2%	28.8%	31.4%	36.9%	42.1%	45.8%	30.7%	(41.9)%
2 June 2022	Xiamen International Port Co., Ltd. (3378)	97.4%	90.7%	110.3%	139.4%	152.8%	155.7%	161.6%	161.6%	(14.8)%
16 March 2022	Yashili International Holdings Ltd. (1230)	160.9%	153.2%	150.5%	138.5%	134.2%	127.3%	124.4%	114.6%	(2.9)%
24 January 2022	Guodian Technology & Environment Group Corporation Limited (1296)	107.7%	107.7%	107.7%	96.4%	107.7%	92.9%	100.0%	120.4%	(13.6)%
14 January 2022	AKM Industrial Company Limited (1639)	15.2%	24.5%	29.1%	25.8%	29.0%	41.1%	51.7%	60.4%	70.9%
	Highest	162.8%	159.0%	168.7%	185.7%	186.7%	184.5%	172.8%	161.6%	970.1%
	Lowest	(1.1)%	(0.6)%	(1.0)%	0.3%	(1.4)%	(14.9)%	(24.0)%	(33.8)%	(98.6)%
	Average	52.9%	54.3%	56.5%	60.8%	62.6%	62.5%	61.0%	58.3%	29.8%
	Median	42.8%	40.1%	40.8%	48.7%	48.9%	48.4%	50.1%	46.1%	(41.9)%
6 December 2024	The Company (2136)	30.7%	30.7%	30.1%	30.0%	33.9%	34.6%	31.2%	33.7%	(88.7)%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The figures are quoted from the respective offer/scheme document or if such data is not available, calculated based on the offer/cancellation price divided by the closing price per share on the last full trading day or average closing price per share during various periods.
2. The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever is earlier.
3. The last undisturbed full trading day as disclosed in the respective offer/scheme document or last full trading day prior to the release of the initial announcement.
4. Up to and including the last full trading day.
5. It represents the premium or (discount) represented by the offer/cancellation price over the NAV per share (or adjusted NAV per share, if available) quoted from the respective offer/scheme document.
6. The adjusted NAV per share of ASH is based on an undiluted basis as disclosed in its scheme document dated 29 August 2024.
7. We consider the proposal relating to the delisting of IntelliCentrics Global Holdings Ltd. (stock code: 6819) is akin to privatisation of companies listed in Hong Kong and thus include it as one of the Privatisation Precedents and treat the interim dividend involved as the cancellation price.
8. Not applicable as the subject offeree company was in net liability position.
9. Subject to rounding differences.

(a) Premiums or (discounts) over/to the prevailing share prices

The premiums or (discounts) represented by the offer/cancellation price of the Privatisation Precedents are (i) (1.1)%–162.8%, with an average of 52.9% and a median of 42.8% over/to their respective share closing price on the last undisturbed full trading day; (ii) (0.6)%–159.0%, with an average of 54.3% and a median of 40.1% over/to their respective 5-trading day average share closing price; (iii) (1.0)%–168.7%, with an average of 56.5% and a median of 40.8% over/to their respective 10-trading day average share closing price; (iv) 0.3%–185.7%, with an average of 60.8% and a median of 48.7% over their respective 30-trading day average share closing price; (v) (1.4)%–186.7%, with an average of 62.6% and a median of 48.9% over/to their respective 60-trading day average share closing price; (vi) (14.9)%–184.5%, with an average of 62.5% and a median of 48.4% over/to their respective 90-trading day average share closing price; (vii) (24.0)%–172.8%, with an average of 61.0% and a median of 50.1% over/to their respective 120-trading day average share closing price; and (viii) (33.8)%–161.6%, with an average of 58.3% and a median of 46.1% over/to their respective 180-trading day average share closing price. The premiums of

30.0%–34.6% represented by the Revised Cancellation Price over the closing Share prices on the Last Trading Date and average closing Share prices for various trading periods all fall within the ranges of those of the Privatisation Precedents.

(b) Premiums or (discounts) over/to the NAV per share

The premiums or (discounts) represented by the offer/cancellation price of the Privatisation Precedents over/to their respective NAV per share range from (98.6)% to 970.1%. The Revised Cancellation Price representing a discount to the Adjusted NAV per Share of (88.7)% is within the range of those of the Privatisation Precedents.

Out of the 33 Privatisation Precedents (after having excluded the case involving an offeree company in net liability position), 7 cases had offer/cancellation prices that represent premiums over their respective NAV per share and 26 cases had offer/cancellation prices represent discounts to their respective NAV per share. Offer/cancellation prices pitched at discounts to NAV per share are not uncommon in privatisation transactions.

Comments

We consider the Privatisation Precedents during the Review Period provide a general overview of the pricing of the recent successful privatisation transactions in Hong Kong and serve as a reference when assessing the fairness and reasonable of the Revised Cancellation Price. As the Privatisation Precedents' premiums or (discounts) have wide ranges which may be due to the different business nature, scale and industries in which the companies involved operate, as well as their own historical trading prices which may have been impacted by the then market sentiment and other extenuating circumstances specific to each of the Privatisation Precedents, they give a reference point on recent pricing on privatisation transactions which are acceptable for the respective independent shareholders to tender their shares.

Among the companies involved in the Privatisation Precedents, Golden Eagle and Lifestyle International were also engaged in operation of department stores. The premiums represented by their cancellation prices over their share closing price on the last full trading day and 5-, 10-, 30-, 60-, 90-, 120- and 180-trading day average share closing price ranged from 30.0% to 81.9%, which are significantly higher than those of the Amended Proposal. The discounts represented by their cancellation prices over their NAV per share were 47.4% and 52.8%, much lower than that of the Amended Proposal. However, it is noted that (i) Golden Eagle case was announced in May 2023 when the retail market was fuelled by the pent-up consumer demand following the lifting of pandemic related restriction as discussed in section 1.3 above; and (ii) Lifestyle International ran its

department store business mainly in Hong Kong. The operating environment and the industry prospects at the relevant time would affect the pricing of privatisation of Golden Eagle and Lifestyle International. Last but not least, the Company went public in 2016 by distribution in specie of its entire share capital to the then shareholders of Lifestyle International, which was successfully taken private in 2022. In other words, the then shareholders of Lifestyle International became the Shareholders without making any payment and theoretical exited their investment in Lifestyle International in 2022. Balancing the aforementioned factors and having considered that (i) the premiums represented by the Revised Cancellation Price over the closing Share price on the Last Trading Date and average Share closing prices for various trading periods are within the ranges of those of the Privatisation Precedents; and (ii) the discount represented by the Revised Cancellation Price to the Adjusted NAV per Share falls within the range of the Privatisation Precedents, the Revised Cancellation Price of HK\$0.980, in our view, is acceptable.

DISCUSSION

In forming our opinion and recommendations below, we have taken into account the factors set out above, none of which can be considered in isolation. We would like to draw the attention of the Scheme Shareholders in particular to the points summarised below:

(a) The Company — listed by way of distribution in specie of its entire issued share capital

The Company, listed in 2016, was spun-off from Lifestyle International, a company previously listed on the Stock Exchange and delisted by way of privatisation in 2022. At such time, the separate listing was effected solely by way of distribution in specie. In other words, the shareholders of Lifestyle International were allotted the Shares without payment and became the shareholders of the Company immediately before its listing. The separate listing was to, amongst others, facilitate the then shareholders of Lifestyle International to invest in both or either of the groups; and the Company to access the debt and equity capital markets directly.

The Company's issued share capital reduced from 1,602,586,500 at the time of its listing to 1,464,448,500 Shares as at the Latest Practicable Date. Such decrease was due to the cancellation of Shares after Share repurchases conducted in 2018.

(b) Cautious consumer spending and weak domestic consumption due to overall lack of economic vitality

Following its listing in 2016, the Group had streamlined its operation by closure of Dalian Property in 2017 and standalone supermarket in 2024 and cessation of restaurant business in 2018. The Group currently operates JGC and two department stores (in Shanghai and Suzhou), and holds some investment properties and equity investment in another department store operator in Shijiazhuang. The property interests are the commercial buildings in Shenyang and Dalian which were the venues

of the Group's previous department stores, Suzhou Jiuguang Property (held by the Group for operation of department stores and retailing businesses) and JGC comprising an eight-storey shopping mall and two office towers which was opened in 2021.

The financial performance of the Group is closely tied to changing operating environment and consumer preference. The Group rode on a short-term boom in the PRC retail market after the lifting of all epidemic prevention and control measures in the first quarter of 2023 to report a 50.7% year-on-year increase in sales in 1H2023. As the slowdown of the economy since middle of the year prompted consumer sentiment to become more cautious, sales growth in 2H2023 slowed to approximately 5.8% year-on-year. In 1H2024, the total sales proceeds dropped 11.5%. The decline in sales proceeds was mainly due to the retail market becoming more cautious as impacted by the macroeconomic environment, leading to fall in average spending of consumers. As discussed in section 1.3, the industry in which the Group operates continues to be challenging amid economic slowdown, e-commerce disruption and rapidly changing customer behaviour in the PRC.

JGC, which has been positioned as a leisure experience and lifestyle hub, is a photo-taking hotspot for the public in Shanghai. Despite the average footfall grew by 22.3% year-on-year in 1H2024, both stay-and-buy ratio and sales decreased slightly year-on-year. It commenced recruiting tenants in 2021 and about 70% and 10% of the two office towers had been leased out. Dalian and Shenyang commercial properties have been vacant after cessation of the department stores operation, as the Group is still in the process of seeking a suitable opportunity for transformation in view of continued sluggish economy coupled with lingering impact of the pandemic.

(c) The Scheme presents a good opportunity to realise the Shares

The Revised Cancellation Price of HK\$0.980 has been higher than the closing prices of the Shares in 547 trading days out of a total of 752 trading days during the Review Period. The Revised Cancellation Price of HK\$0.980 represents premiums of approximately 30.0%–34.6% over the closing price of the Share on the Last Trading Date and the average closing prices of the Shares for the 5, 10, 30, 60, 90, 120 and 180 trading days (up to and including the Last Trading Date) before the release of the Announcement.

The out-performance of the Share closing prices as compared to the Original Cancellation Price or the Revised Cancellation Price is seen after the Announcement when the Offeror did not make a “No price increase statement” as many other privatisations do. The Share closing prices after the Announcement, which were higher than the Original Cancellation Price, in our view, might be due to speculations about the possible increase in the cancellation price. On 15 January 2025, the Offeror notified the Company its decision to increase the cancellation price from HK\$0.913 to HK\$0.980 per Scheme Share and **the Revised Cancellation Price will not be further increased.**

After the publication of the Amended Proposal Announcement, the closing price of the Shares decreased by 14.3% to HK\$0.84 on the next trading day. The Share price closed at HK\$0.85 as at the Latest Practicable Date. If the Amended Proposal fails and the Share price reverts to its previous close alignment with the Hang Seng Index, the Share price may in our view retreat to the level before the Announcement, as illustrated in Figure 1 above.

During the 90 consecutive trading days up to and including the Last Trading Date, the daily average trading volume of the Shares was approximately 855,534 Shares, or approximately 0.1% of the number of total issued Shares as at the Last Trading Date. From the start of 2024 to the Latest Practicable Date, the Shares have generally traded at an average daily trading volume of approximately 1,169,701 Shares representing approximately 0.32% of the Company's free float. The Shares have not, in our opinion, been actively traded before the Announcement, which makes the opportunity to exit at a fixed cash price under the Amended Proposal a potentially valuable one (depending on the prevailing market price).

(d) Persistent discount to NAV

Throughout the Review Period before the Announcement, the Shares have traded in the market at a substantial discount to NAV of over 86.0% in 555 and over 88.7% in 361 out of 720 trading days. Over the 12-month period ended on the Last Trading Date, the average discount was approximately 89.5%. The Revised Cancellation Price represents a 86.0% discount to the NAV per Share and 88.7% discount to the Adjusted NAV per Share. The discounts of the closing price to the NAV per Share narrowed after the Company issued the Announcement in our view may not be sustainable at the current level if the Amended Proposal and the Scheme lapses.

The Management has been reviewing and will continue to review and consider the strategy of the Group under part of the Group's usual and ordinary course of business and may, from time to time, explore and implement business and operational initiatives. The Management may consider divesting the vacant properties when such opportunities arise. However, in light of the continued sluggish economy, particularly the relatively weak property market and retail operating environment in the PRC, the Management is of the view that the likelihood of selling the vacant properties is low in the foreseeable future. The Offeror has stated that it intends to continue with the existing business of the Group and has no plan to make any major redeployment of the fixed assets of the Group. We were further advised that, in view of the challenging retail market, the Management considers sufficient cash should be preserved to maintain and further improve the Group's business operations. Consequently, the assumption that the assets of the Group may be sold in the market based on its NAV or Adjusted NAV is not practicable or assumption that the Group may distribute most of its cash to Shareholders is unlikely.

(e) Cross check against the comparable companies

A total of 7 Comparable Companies, which are department store operators with over 50% of revenue derived from PRC market, are identified. All Comparable Companies except for New World China reported loss in the latest 12-month period and therefore no PER could be appraised. It has further proved that department store operators have been struggling with insufficient consumption and sluggish growth which led to an overall loss of profitability. The Company's PER, based on latest trailing 12-month profits of HK\$1.8 million, produces anomalous result of over 700 times, which is considered not appropriate for analysis purpose.

The Company's PSR and PBR, which are calculated based on the Revised Cancellation Price, are either substantially higher than those of the Comparable Companies or close to the average and the median of those of the Comparable Companies. On this basis, the Revised Cancellation Price, in our view, is acceptable.

(f) An attractive proposal from another source is unlikely

An alternative general offer or other proposal to acquire the Shares is unlikely as Offeror Concert Parties hold 74.91% of the issued share capital of the Company and the Offeror has indicated that it holds such Shares as a long-term investment. Under Rule 31.1 of the Takeovers Code, if the Amended Proposal does not become unconditional, the Offeror may not normally put forward a similar proposal for at least 12 months from the date on which the Amended Proposal lapses.

(g) Privatisation precedents

The premiums of 30.0%–34.6% represented by the Revised Cancellation Price over the closing Share prices on the Last Trading Date and average closing Share prices for various trading periods all fall within the ranges of the Privatisation Precedents during the Review Period. In addition, we note that offer/cancellation prices pitched at discounts to NAV per share are not uncommon in privatisation transactions as approximately 80% of the Privatisation Precedents (after having excluded the case involving an offeree company in net liability position) have their respective offer/cancellation price lower than NAV per share of the subject offeree company. Despite that Golden Eagle and Lifestyle International, which also operate department stores, were privatised at cancellation prices with relatively higher premiums over their prevailing share prices and relatively narrower discounts to their respective NAV per share, the operating environment and the industry prospects at the relevant time were different from that of the Amended Proposal. Combined with the Company's way of listing back in 2016, we consider the Revised Cancellation Price to be acceptable.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons set out in our letter, we (i) consider that the Amended Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned and (ii) advise the Independent Board Committee to recommend the Independent Shareholders to accept the Amended Proposal and vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Amended Proposal at the General Meeting.

Given the prevailing Share closing prices exceeded the Revised Cancellation Price following the release of the Announcement for quite some days, we would also like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares before the Court Meeting and General Meeting, and consider selling their Shares in the open market, where possible, instead of accepting the Amended Proposal, if the net proceeds from such sales exceed the net proceeds expected to be received under the Amended Proposal. The last day of dealings in the Shares is expected to be 4 March 2025 if the Amended Proposal proceeds.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. She has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 2023 (as revised).

SCHEME OF ARRANGEMENT

(UNDER SECTION 86 OF THE COMPANIES ACT)

1. INTRODUCTION

References are made to the Announcement and the Amended Proposal Announcement. On 2 December 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act. On 16 January 2025, the Offeror and the Company jointly issued the Amended Proposal Announcement in relation to, among other things, the proposed increase in the Original Cancellation Price from HK\$0.913 to the Revised Cancellation Price of HK\$0.980 per Scheme Share (representing an increase of approximately 7.3% over the Original Cancellation Price) and the request of the Offeror to the Company to put forward the Amended Proposal to the Scheme Shareholders.

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

Your attention is also drawn to (i) the letter from the Board set out in Part IV of this Scheme Document; (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (iii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iv) the appendices of this Scheme Document, including the Scheme set out in Appendix IV of this Scheme Document; (v) the notice of the Court Meeting set out in Appendix V of this Scheme Document and the notice of the General Meeting set out in Appendix VI of this Scheme Document; and (vi) forms of proxy in respect of the Court Meeting and the General Meeting as enclosed with this Scheme Document.

2. TERMS OF THE AMENDED PROPOSAL

The Scheme

Subject to the Conditions described in the section headed “3. Conditions of the Amended Proposal and the Scheme” in the Part VII — Explanatory Memorandum of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

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

- (a) all the 367,408,208 Scheme Shares (representing 25.09% of the issued Shares) held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder as at the Scheme Record Date of the Revised Cancellation Price in cash for each Scheme Share cancelled and extinguished;
- (b) upon the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the contemporaneous allotment and issuance to the Offeror of the same number of new Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror, who shall be the sole holder of all such new Shares; and
- (c) the Company will make an application for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules and such withdrawal is expected to take with effect as soon as practicable after the Effective Date.

Revised Cancellation Price

Under the Amended Proposal, if the Scheme is approved and implemented, the Scheme Shares will be cancelled and extinguished and, in consideration therefor, each Scheme Shareholder as at the Scheme Record Date will be entitled to receive the Revised Cancellation Price of HK\$0.980 in cash for each Scheme Share cancelled and extinguished.

In compliance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Revised Cancellation Price of HK\$0.980 per Scheme Share will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date as soon as possible but in any event no later than seven (7) business days after the Effective Date.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

Comparison of value

The Revised Cancellation Price of HK\$0.980 per Scheme Share represents:

- (a) a premium of approximately 30.7% over the closing price of HK\$0.750 per Share as quoted on the Stock Exchange on the Last Trading Date;

- (b) a premium of approximately 30.7% over the average closing price of approximately HK\$0.750 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 30.1% over the average closing price of approximately HK\$0.753 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 30.0% over the average closing price of approximately HK\$0.754 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 33.9% over the average closing price of approximately HK\$0.732 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 34.6% over the average closing price of approximately HK\$0.728 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 31.2% over the average closing price of approximately HK\$0.747 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 33.7% over the average closing price of approximately HK\$0.733 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (i) a discount of approximately 85.9% to the audited consolidated net asset value attributable to the owners of the Company per Share of approximately HK\$6.950 as at 31 December 2023, based on the audited consolidated net assets of the Group attributable to owners of the Company as stated in the audited consolidated statement of financial position of the Company as at 31 December 2023 of approximately RMB9,398,580,000 (equivalent to approximately HK\$10,177,901,953) and 1,464,448,500 Shares in issue as at the Latest Practicable Date;
- (j) a discount of approximately 86.0% to the unaudited consolidated net asset value attributable to the owners of the Company per Share of approximately HK\$6.981 as at 30 June 2024, based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as stated in the unaudited condensed consolidated statement of financial position of the Company as at 30 June 2024 of approximately RMB9,440,251,000 (equivalent to approximately HK\$10,223,028,275) and 1,464,448,500 Shares in issue as at the Latest Practicable Date; and

- (k) a discount of approximately 88.7% to the adjusted unaudited consolidated net asset value attributable to the owners of the Company per Share of approximately HK\$8.681 as set out under the paragraph headed “5. Property Interests and Adjusted Net Asset Value” in Appendix I to this Scheme Document.

The Revised Cancellation Price has been determined on an arm’s length commercial basis after taking into account, among others, the recent and historical trading prices of the Shares on the Stock Exchange, the publicly available financial information of the Group, and with reference to other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.110 on 16 December 2024, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.630 on 17 September 2024 and 23 September 2024.

Dividend payment by the Company

As at the Latest Practicable Date, the Company had not declared any dividend or other distribution and/or other return of capital which remains unpaid, and the Company did not intend to make, declare and/or pay any dividend or make other distribution and/or other return of capital on or before the Effective Date or the date on which the Scheme is not approved, or the Amended Proposal otherwise lapses (as the case may be).

In the event that any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Scheme Shares after the Latest Practicable Date, the Offeror reserves the right to reduce the Revised Cancellation Price in compliance with the Takeovers Code, in which case any reference in the Amended Proposal Announcement, this Scheme Document or any other announcement(s) or document(s) to the Revised Cancellation Price will be deemed to be a reference to the Revised Cancellation Price as so reduced.

The Offeror will not further increase the Revised 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 Revised Cancellation Price.

3. CONDITIONS OF THE AMENDED PROPOSAL AND THE SCHEME

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

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting in person or by proxy at the Court Meeting in accordance with the requirements of section 86 of the Companies Act as at the date of the Court Meeting;
- (b) (i) the approval of the Scheme (by way of poll) at the Court Meeting by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders entitled to vote at the Court Meeting that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Shareholders;
- (c) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting (i) to approve and give effect to any reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares; and (ii) to approve the simultaneous maintenance of the share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by allotting and issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and (iv) to authorise the Directors to take certain actions to implement the Amended Proposal;
- (d) the Grand Court's sanction of the Scheme (with or without modification) under section 86 of the Companies Act, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Amended Proposal or its implementation in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;

- (f) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Amended Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Amended Proposal or its implementation in accordance with its terms);
- (g) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Amended Proposal or its implementation in accordance with its terms; or
- (h) the implementation of the Amended Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (A) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (B) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto);
 - (C) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable; or
 - (D) any adverse change to the business, financial or trading position, profits or prospects of the Group,

in each case, which is material in the context of the Group as a whole or in the context of the Amended Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions in paragraphs (a) to (d) above) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Scheme will not become effective and the Amended Proposal will lapse. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the

Conditions as a basis for not proceeding with the Amended Proposal or the Scheme if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Amended Proposal or the Scheme.

With reference to the Condition in paragraph (e), as at the Latest Practicable Date, the Offeror is not aware of any requirement for such authorisations, approvals, permissions, waivers, consents, registrations or filings other than those set out in the Conditions in paragraphs (a) to (d). With reference to the Condition in paragraph (f), as at the Latest Practicable Date, the Offeror is not aware of any such action, proceeding, suit, investigation, enquiry, statute, regulation, demand or order. With reference to the Condition in paragraph (g), as at the Latest Practicable Date, the Offeror is not aware of any such non-compliance or regulatory requirement other than those set out in the Conditions in paragraphs (a) to (e). With reference to the Condition in paragraph (h), as at the Latest Practicable Date, the Group is required to notify and/or obtain consent from certain lenders of existing banking facilities, amongst other things, the implementation of the Scheme and the delisting of Shares and the change of the shareholding structure. Save for the aforesaid, as at the Latest Practicable Date, the Offeror is not aware of any other consent required in respect of the Condition in paragraph (h).

As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than pursuant to the Conditions in paragraphs (a) to (d) (inclusive) above, the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (e) to (h) (inclusive) above not being satisfied.

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

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

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

4. CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Revised Cancellation Price of HK\$0.980 per Scheme Share and 367,408,208 Scheme Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued on or before the Scheme Record Date, the amount of cash required to effect the Amended Proposal would be approximately HK\$360,060,043.84.

The Offeror's payment obligations to the Scheme Shareholders as at the Scheme Record Date in respect of the Revised Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the cash required for the Amended Proposal from its internal resources.

Quam Capital, as financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy its payment obligations in respect of the full implementation of the Amended Proposal in accordance with its revised terms based upon the Revised Cancellation Price.

5. ARRANGEMENTS IN RELATION TO THE AMENDED PROPOSAL

As at the Latest Practicable Date:

- (a) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities in the Company;
- (b) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (c) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder of the Company; and (2) either (a) the Offeror and/or the Offeror Concert Parties; or (b) the Company, its subsidiaries or associated companies;
- (d) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder of the Company, and the Company, its subsidiaries or associated companies;
- (e) other than the Revised Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid or will not pay any other consideration, compensations or benefits in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (f) the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than 1,464,448,500 issued Shares;
- (g) save for the 1,129,464,292 Shares, representing approximately 77.13% of the issued Shares, held by the Offeror Concert Parties, neither the Offeror nor the Offeror Concert Parties owned, controlled or directed any existing holding of voting rights and rights over the Shares or any convertible securities, warrants or options in the Company;

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

6. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$20,000,000 divided into 4,000,000,000 Shares and the Company has 1,464,448,500 Shares in issue;
- (b) the Offeror did not beneficially own, control or have direction over any Shares;
- (c) the Offeror Concert Parties Not Subject to the Scheme beneficially owned, controlled or have direction over 1,097,040,292 Shares (representing approximately 74.91% of the issued Shares);
- (d) the Offeror Concert Parties Subject to the Scheme beneficially owned, controlled or had direction over 32,424,000 Shares, representing approximately 2.22% of the issued Shares;
- (e) the Independent Shareholders held 334,984,208 Shares, representing approximately 22.87% of the issued Shares;
- (f) the Scheme Shareholders held 367,408,208 Shares, representing approximately 25.09% of the issued Shares; and
- (g) the Company did not have any outstanding shares, options, warrants, derivatives, convertible securities or other relevant securities in issue.

Shareholding structure

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately following implementation of the Amended Proposal, assuming that there will be no other change in the shareholding of the Company before the Effective Date:

Shareholder	As at the Latest Practicable Date		Immediately upon the completion of the Amended Proposal	
	Number of Shares	Approximate % of the issued Shares	Number of Shares	Approximate % of the issued Shares
(A) Offeror ^{(Note (1))}	—	—	367,408,208	25.09
(B) Offeror Concert Parties Not Subject to the Scheme				
Mr. Lau ^{(Note (2))}	252,051,460	17.21	252,051,460	17.21
Mr. Lau's SPV Entities ^{(Note (3))}	844,988,832	57.70	844,988,832	57.70
(C) Offeror Concert Parties Subject to the Scheme				
Ms. Lau ^{(Note (4))}	9,308,500	0.64	—	—
Ms. Lau's SPV Entities ^{(Note (5))}	23,115,500	1.58	—	—
Sub-total for (A) + (B) + (C)	1,129,464,292	77.13	1,464,448,500	100
(D) Independent Shareholders ^{(Note (6))}	334,984,208	22.87	—	—
TOTAL:				
(A) + (B) + (C) + (D)	1,464,448,500	100	1,464,448,500	100
(E) Scheme Shareholders:				
= (C) + (D) ^{(Note (7))}	367,408,208	25.09		

Note (1): The Offeror is wholly-owned by Mr. Lau. Upon the Scheme becoming effective, the share capital of the Company will be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the contemporaneous allotment and issuance to the Offeror of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

Note (2): 252,051,460 Shares were held by Mr. Lau as beneficial owner.

Note (3): 540,000,000 Shares were held by United Goal. United Goal is ultimately owned as to 80% by Mr. Lau through Asia Prime Assets Limited (the entire issued share capital of which is wholly owned by Mr. Lau) and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau. The remaining 304,988,832 Shares are held by Dynamic Castle, which is wholly owned by Mr. Lau.

Note (4): 9,308,500 Shares were held by Ms. Lau, a younger sister of Mr. Lau, as beneficial owner.

Note (5): 1,000,000 Shares were held by Chaker Investments Ltd, which is wholly owned by Ms. Lau. The remaining 22,115,500 Shares were held by WinPath Limited, which is wholly owned by Ms. Lau.

Note (6): 297,000 Shares were held by Ms. Chan Chor Ling, Amy, a non-executive Director, who is not regarded as acting in concert with the Offeror in relation to the Company and the Shares held by her will form part of the Scheme Shares held by the Independent Shareholders.

Note (7): Scheme Shares shall include any Shares held by Independent Shareholders and the Offeror Concert Parties Subject to the Scheme, and exclude all Shares held by Offeror Concert Parties Not Subject to the Scheme.

7. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability and is listed on the main board of the Stock Exchange. The Group is principally engaged in the operation of department stores and other related retailing business and property investment in the PRC.

Set out below is the financial information of the Group for the two years ended 31 December 2022 and 2023, and the six months ended 30 June 2023 and 2024, and as at 31 December 2022 and 2023 and 30 June 2024, as extracted from the annual report for the year ended 31 December 2023 and the interim report for the six months ended 30 June 2024 of the Company:

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	1,127,588	1,348,975	695,235	644,603
Gross profit	658,104	785,434	394,070	362,066
Profit before taxation	185,421	357,713	303,689	164,227
(Loss)/profit for the year/ period attributable to owners of the Company	(24,441)	87,767	127,622	41,668

	As at 31 December		As at
	2022	2023	30 June
	RMB'000	RMB'000	2024
	(audited)	(audited)	(unaudited)
Current assets	2,038,940	3,225,178	3,198,412
Non-current assets	12,409,720	13,811,755	13,760,166
Current liabilities	2,392,469	1,149,136	990,306
Non-current liabilities	1,257,327	4,871,259	4,820,815
Net assets attributable to owners of the Company	9,310,793	9,398,580	9,440,251

Your attention is also drawn to Appendix I — “Financial Information of the Group” and Appendix II — “General Information” to this Scheme Document.

8. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Mr. Lau. The Offeror is an investment holding company. The directors of the Offeror are Mr. Lau, Ms. Lau Kam Shim and Mr. Lau Kam Sen, each of whom is a Director.

9. INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

As at the Latest Practicable Date, the Offeror intends to continue the existing businesses of the Group, which principally comprise of operation of department stores and other related retailing businesses and property investment in the PRC. The Offeror does not have any plan to make any material change to:

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

as a result of the implementation of the Amended Proposal and the Scheme.

After completion of the Amended Proposal, the Offeror will continue to review and consider the strategy of the Group under part of the Group’s usual and ordinary course of business and may, from time to time, explore and implement business and operational initiatives with the objective of aiming to enhance the business operations of the Group as and when such opportunities arise.

10. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the non-executive Director and all independent non-executive Directors pursuant to Rule 2.8 of the Takeovers Code, namely, Ms. Chan Chor Ling, Amy, Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai, has been established by the Board to make recommendations to the Independent Shareholders as to whether the Amended Proposal and the Scheme are, or are not, fair and reasonable, and whether to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Amended Proposal at the General Meeting. As at the Latest Practicable Date, 297,000 Shares (representing approximately 0.02% of the issued share capital of the Company) are held by Ms. Chan Chor Ling, Amy.

11. THE INDEPENDENT FINANCIAL ADVISER

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Amended Proposal and the Scheme. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

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

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the Amended Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Amended Proposal and the Scheme.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Amended Proposal and the Scheme is set out in Part V of this Scheme Document.

12. REASONS FOR AND BENEFITS OF THE AMENDED PROPOSAL**For the Scheme Shareholders**

The Amended Proposal represents an opportunity for the Scheme Shareholders to monetise their Shares for cash at a premium amidst challenging and uncertain market conditions and low trading liquidity of the Shares.

The PRC's economy has been facing various challenges due to various economic and political factors including, complex geopolitical tensions and weak domestic consumption. Although the PRC government has announced various measures aiming to stabilise the economy and boost domestic consumption, the implementation and effectiveness of these measures are uncertain. Furthermore, consumers in the PRC have become more prudent in their spending decisions and the overall consumption confidence in the PRC may require more time to improve and hence it is expected that the retail sector in the PRC will remain competitive and challenging in the short to medium term.

The Share price has traded below the Revised Cancellation Price over the 12-month period up to and including the Last Trading Date. The average daily trading volume of the Shares for the approximate 1-month period, 3-month period and 12-month period up to and including the Last Trading Date were approximately 481,405 Shares, 1,129,710 Shares and 514,608 Shares per day, representing only approximately 0.03%, 0.08% and 0.04% respectively of the 1,464,448,500 Shares in issue as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for the Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares or they may not be able to dispose their entire shareholdings within a reasonable period of time.

The Amended Proposal provides the Scheme Shareholders with an attractive opportunity to realise their entire investment in the Company upon the approval and implementation of the Amended Proposal for cash at a premium over the prevailing share price without having to suffer from any illiquidity discount and settlement risk. The Revised Cancellation Price of HK\$0.980 per Scheme Share represents a premium ranging from approximately 30.0% to approximately 34.6% over the average closing price per Share as quoted on the Stock Exchange for the periods as mentioned under the section headed "2. Terms of the Amended Proposal — Revised Cancellation Price — Comparison of value" above. Therefore, the Amended Proposal, if implemented, will offer the Scheme Shareholders a valuable opportunity to realise their entire investment in the Company at a premium and to reallocate the proceeds from the disposal of the Shares to alternative potential investment opportunities.

For the Offeror and the Company

Limited usage of the listing platform

The Company has not conducted any equity fund raising activities since its listing due to the relatively low trading liquidity of the Shares as explained above and the downward trend of the trading price of the Shares in the recent years. Under such circumstances, the Company is unable to effectively utilise its listing platform as a source of funding for its business and future growth. As such, the continued listing of the Shares does not provide any significant or meaningful benefit to the Company.

The privatisation of the Company is expected to enable the Offeror to make strategic decisions with focus on the long-term growth and benefits of the Group, free from the pressure of market expectations, share price fluctuations and compliance requirements which arise from the Company being a publicly listed company.

The Amended Proposal, which entails the delisting of the Company, is also expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with ongoing regulatory requirements as a listed company. It could also provide more flexibility to the Group to achieve long-term commercial development without subjecting itself to regulatory restrictions and obligations as a listed company, and without having to be concerned about short-term market reactions, and additional costs and expenses that may arise from the Company being a publicly listed company. The Amended Proposal, if implemented, would enable the Offeror to run the business of the Group in a more efficient and effective manner.

13. ACTIONS TO BE TAKEN

The summary of actions to be taken by the Shareholders can be found in Part II — “Actions to be Taken” in this Scheme Document.

14. THE COURT MEETING AND GENERAL MEETING

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, approving the Scheme (with or without modifications).

Only Scheme Shareholders as at the Meeting Record Date may attend and vote at the Court Meeting to approve the Scheme.

As the Offeror and the Offeror Concert Parties Not Subject to the Scheme are not Scheme Shareholders, they will not vote on the Scheme at the Court Meeting. Each of the Offeror Concert Parties will, and has undertaken to the Grand Court to, procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the Court Meeting. The Offeror and each of the Offeror Concert Parties have undertaken to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

The Offeror Concert Parties Subject to the Scheme, being Ms. Lau and Ms. Lau's SPV Entities, who in aggregate held 32,424,000 Shares, representing approximately 2.22% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the Scheme at the Court Meeting.

All Shareholders as at the Meeting Record Date will be entitled to attend the General Meeting and to vote on the special resolution (i) to approve and give effect to any reduction of the issued share capital associated with cancellation and extinguishment of the Scheme Shares; and (ii) to approve the simultaneous maintenance of the share capital of the

Company at the amount immediately prior to the cancellation of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and (iv) to authorise the Directors to take certain actions to implement the Amended Proposal.

The Offeror Concert Parties have indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the special resolution to be proposed at the General Meeting (i) to approve and give effect to any reduction of the issued share capital associated with cancellation and extinguishment of the Scheme Shares; and (ii) to approve the simultaneous maintenance of the share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by the allotment and issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) to approve the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par value the new Shares issued to the Offeror; and (iv) to authorise the Directors to take certain actions to implement the Amended Proposal.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 10:30 a.m. on Thursday, 20 February 2025 at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong.

Notice of the General Meeting is set out in Appendix VI to this Scheme Document. The General Meeting will be held at 11:00 a.m. (or as soon as the Court Meeting shall have been concluded or adjourned) on Thursday, 20 February 2025 at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong.

The Court Hearing to sanction the petition is listed to be heard on Tuesday, 25 February 2025 at 9:30 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who subsequently voted at the Court Meeting shall have the right to attend, or appear by counsel, and be heard at the Court Hearing, at which the Company will seek, among other thing, the sanction of the Scheme.

Closure of the register of members of the Company

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Monday, 17 February 2025 to Thursday, 20 February 2025 (both days inclusive) and during such period, no transfer of Shares will be registered. In order to qualify to vote at the Court Meeting and the General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before

4:30 p.m. on Friday, 14 February 2025. A subsequent purchaser of Shares will need to obtain a proxy form from the transferor if he or she wishes to attend or vote at the Court Meeting or the General Meeting.

Binding effect of the Scheme

When all of the Conditions set out in the section headed “3. Conditions of the Amended Proposal and the Scheme” in Part VII — “Explanatory Memorandum” of this Scheme Document are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders.

15. WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately from 4:00 p.m. on Tuesday, 4 March 2025 subject to the Scheme becoming effective.

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

16. IF THE SCHEME IS NOT APPROVED OR THE AMENDED PROPOSAL LAPSES

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

If the Scheme is not approved or the Amended Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Amended 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 Amended Proposal otherwise lapses, announce an offer or possible offer for the Company except with the consent of the Executive.

17. REGISTRATION AND PAYMENT**Latest time for lodging transfers of Shares**

In order to qualify for entitlements under the Scheme, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, for registration before 4:30 p.m. on Wednesday, 26 February 2025.

Payment of the consideration to the Scheme Shareholders

Subject to the Scheme becoming effective, the Revised Cancellation Price will be paid to all Scheme Shareholders whose names appear in the register of members of the Company on the Scheme Record Date as soon as possible, but in any event no later than seven business days after the Effective Date. On the basis that the Scheme becomes effective on Friday, 28 February 2025 (Cayman Islands time), the cheques for the payment of the Revised Cancellation Price are expected to be despatched on or before Tuesday, 11 March 2025.

Cheques for the payment of the Revised Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses on the register of members of the Company or, in the case of joint holders, to the registered address of that joint holder whose name first appears on the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the addressee and none of the Offeror, the Company, Quam Capital, the Independent Financial Adviser and the branch share registrar of the Company, nor their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Amended Proposal shall be liable for any loss or delay in despatch.

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

The Offeror (or its nominee) shall hold all monies represented by such uncashed cheques on trust until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme, without interest earned thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it

is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

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

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

Upon the Scheme becoming effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all of the Scheme Shares and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Friday, 28 February 2025 (Cayman Islands time).

18. OVERSEAS SCHEME SHAREHOLDERS

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

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer to buy or sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Amended Proposal, the Scheme or otherwise.

The availability of the Amended Proposal to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdiction in which they are located or resident or of which they are citizens. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, regulatory or tax requirements in their respective jurisdictions and, where necessary, seek their own legal advice. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available hereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than in Hong Kong) where action for that purpose is required. Accordingly, Scheme Shareholders are prohibited from (i) copying, distributing or

publishing all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction (other than Hong Kong) or (ii) using information contained therein for any purpose other than assessment of the Amended Proposal and/or the Scheme, unless the information is already publicly available in another form.

It is the responsibility of the overseas Scheme Shareholders who wish to take any action in relation to the Amended Proposal and/or the Scheme to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with any such action, including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with any other necessary formality and the payment of any issue, transfer or other tax in any relevant jurisdiction.

Any actions taken by such overseas Scheme Shareholders in respect of the Amended Proposal will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers (including Quam Capital as the financial adviser to the Offeror) that such laws and regulations have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, there was one Scheme Shareholder (who held approximately 0.00000007% of the total number of issued Shares) whose address as shown in the records of the Company was in the British Virgin Islands.

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

19. TAXATION ADVICE

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

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Amended Proposal or the Scheme. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Quam Capital, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, employees, agents, affiliates, advisers and associates and any other person involved in the Amended Proposal or the Scheme accepts any responsibility for any taxation effects on, or liabilities of, any person as a result of the Amended Proposal or the Scheme.

20. COSTS OF THE SCHEME

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

21. REQUIREMENTS UNDER COMPANIES ACT AND THE TAKEOVERS CODE**The Companies Act**

Pursuant to section 86(1) of the Companies Act, where a compromise or arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or of any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

Section 86(2A) of the Companies Act provides that if not less than 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Grand Court, be binding on all the members or class of members, as the case may be, and also on the company.

Additional requirements as imposed by Rule 2.10 of the Takeovers Code

In addition to satisfying any requirements imposed by law as summarised above, Rule 2.10 of the Takeovers Code requires, except with the consent of the Executive, that the Scheme may only be implemented if:

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

As the Offeror and the Offeror Concert Parties Not Subject to the Scheme are not Scheme Shareholders, they will not vote on the Scheme at the Court Meeting.

The Offeror Concert Parties Subject to the Scheme, being Ms. Lau and Ms. Lau's SPV Entities, who in aggregate held 32,424,000 Shares, representing approximately 2.22% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the Scheme at the Court Meeting.

22. RECOMMENDATIONS

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Amended Proposal and the Scheme as set out in the letter from the Independent Board Committee in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Amended Proposal and the Scheme as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Amended Proposal and the Scheme.

23. ADDITIONAL INFORMATION

Additional information in relation to the Amended Proposal is set out in the appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

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

24. LANGUAGE

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

1. FINANCIAL SUMMARY

The following is a summary of financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 as extracted from the annual reports of the Company, and each of the six months ended 30 June 2023 and 2024 as extracted from the interim reports of the Company.

The auditor's reports from the Company's auditor, PricewaterhouseCoopers, in respect of the Group for each of the financial years ended 31 December 2021, 2022 and 2023 contained modified opinion, but no emphasis of matter nor material uncertainty related to going concern.

Save as disclosed below, there were no items of any income or expense which were material in respect of the financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024.

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

	For the year ended 31 December			Six months ended 30 June	
	2021 (audited) RMB'000	2022 (audited) RMB'000	2023 (audited) RMB'000	2023 (unaudited) RMB'000	2024 (unaudited) RMB'000
Revenue	1,299,736	1,127,588	1,348,975	695,235	644,603
Cost of sales	<u>(509,374)</u>	<u>(469,484)</u>	<u>(563,541)</u>	<u>(301,165)</u>	<u>(282,537)</u>
Gross profit	790,362	658,104	785,434	394,070	362,066
Other income and gains and losses	130,473	229,184	217,636	109,828	101,569
Selling and distribution costs	<u>(523,725)</u>	<u>(577,769)</u>	<u>(612,132)</u>	<u>(301,619)</u>	<u>(289,501)</u>
Administrative expenses	<u>(238,269)</u>	<u>(235,932)</u>	<u>(261,326)</u>	<u>(114,491)</u>	<u>(118,946)</u>
Interest and investment income	51,331	26,165	73,862	30,406	25,336
Share of profit of a joint venture	28,300	19,117	27,238	14,428	16,651
Share of profits of associates	237,251	182,205	308,939	255,196	160,557
Finance costs	<u>(27,895)</u>	<u>(115,653)</u>	<u>(181,938)</u>	<u>(84,129)</u>	<u>(93,505)</u>
Profit before taxation	447,828	185,421	357,713	303,689	164,227
Taxation	<u>(123,253)</u>	<u>(78,848)</u>	<u>(82,164)</u>	<u>(38,078)</u>	<u>(33,311)</u>
Profit for the year/period	<u>324,575</u>	<u>106,573</u>	<u>275,549</u>	<u>265,611</u>	<u>130,916</u>
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	<u>301</u>	<u>177</u>	<u>20</u>	<u>34</u>	<u>3</u>
Other comprehensive income for the year/period	<u>301</u>	<u>177</u>	<u>20</u>	<u>34</u>	<u>3</u>
Total comprehensive income for the year/period	<u>324,876</u>	<u>106,750</u>	<u>275,569</u>	<u>265,645</u>	<u>130,919</u>
Profit/(loss) for the year/period attributable to:					
Owners of the Company	143,393	(24,441)	87,767	127,622	41,668
Non-controlling interests	<u>181,182</u>	<u>131,014</u>	<u>187,782</u>	<u>137,989</u>	<u>89,248</u>
	<u>324,575</u>	<u>106,573</u>	<u>275,549</u>	<u>265,611</u>	<u>130,916</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company	143,694	(24,264)	87,787	127,656	41,671
Non-controlling interests	<u>181,182</u>	<u>131,014</u>	<u>187,782</u>	<u>137,989</u>	<u>89,248</u>
	<u>324,876</u>	<u>106,750</u>	<u>275,569</u>	<u>265,645</u>	<u>130,919</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings/(losses) per share attributable to owners of the Company					
— Basic and diluted	<u>0.098</u>	<u>(0.017)</u>	<u>0.060</u>	<u>0.087</u>	<u>0.028</u>
Dividend paid to owners of the Company	—	—	—	—	—
Dividend per Share					
— Basic and diluted	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement shown in the audited consolidated financial statements of the Group for the years ended 31 December 2021, 2022, and 2023 and unaudited consolidated financial statements for the six months ended 30 June 2023 and 2024, together with the significant accounting policies and any points from the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Group for the year ended 31 December 2023 are set out on pages 77 to 154 of the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”), which was published on 25 April 2024 and which is posted on the website of the Company at <https://www.lifestylechina.com.hk> and the Stock Exchange at <https://www.hkexnews.hk/index.htm>, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501802.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 are set out on pages 74 to 158 of the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”), which was published on 24 April 2023 and which is posted on the website of the Company at <https://www.lifestylechina.com.hk> and the Stock Exchange at <https://www.hkexnews.hk/index.htm>, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042401139.pdf>.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 are set out on pages 76 to 162 of the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”), which was published on 28 April 2022 and which is posted on the website of the Company at <https://www.lifestylechina.com.hk> and the Stock Exchange at <https://www.hkexnews.hk/index.htm>, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800528.pdf>.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 are set out on pages 21 to 44 of the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report 2024**”), which was published on 30 August 2024 and which is posted on the website of the Company at <https://www.lifestylechina.com.hk> and the Stock Exchange at <https://www.hkexnews.hk/index.htm>, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0830/2024083000801.pdf>.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 are set out on pages 21 to 44 of the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report 2023**”), which was published on 24 August 2023 and which is posted on the website of the Company at <https://www.lifestylechina.com.hk> and the Stock Exchange at <https://www.hkexnews.hk/index.htm>, or at this direct link: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0824/2023082400201.pdf>.

The Annual Report 2021, 2022 and 2023 are incorporated by reference into this Scheme Document and form part of this Scheme Document.

The Interim Report 2023 and 2024 are incorporated by reference into this Scheme Document and form part of this Scheme Document.

There is no change of accounting policy which made the figures of the relevant periods/years are not comparable. The details of significant accounting policies are included in the Annual Report 2021, 2022 and 2023 and the Interim Report 2023 and 2024.

3. STATEMENT OF INDEBTEDNESS

As at 30 November 2024, being the latest practicable date for the purpose of this statement of the indebtedness prior to the date of this Scheme Document, the Group has the following indebtedness:

	<i>RMB million</i>
Bank borrowings — secured and unguaranteed ^(Note i)	3,238.0
Lease liabilities — unsecured and unguaranteed	<u>1,567.0</u>
	<u><u>4,805.0</u></u>

Note i:

Bank borrowings are secured by certain of the Group's property, plant and equipment and right-of-use assets in the PRC with a carrying amount of approximately RMB3,501.8 million and RMB1,522.4 million respectively.

As at 30 November 2024, the Group did not have any material contingent liabilities.

Save as disclosed above, and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Group did not, at the Latest Practicable Date, have any other loans issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans (whether guaranteed, unguaranteed, secured and unsecured), debts securities or any other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

4. NO MATERIAL CHANGE

The Directors confirm that, save for the following matters, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2023, being the date on which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

- (i) According to the Interim Report 2024, the Group's revenue decreased by 7.3% to RMB644.6 million for the six months ended 30 June 2024 ("1H2024") (for the six months ended 30 June 2023 ("1H2023"): RMB695.2 million), with total sales proceeds dropping by 11.5% to RMB1,450.4 million for 1H2024 (1H2023: RMB1,638.6 million). The decline in retail sales was a continuation of the situation in second half of 2023 which was primarily attributable to reduced consumer spending across the board, with (a) Shanghai Jiuguang Center decreasing by 12.9% from RMB208 for 1H2023 to RMB181 for 1H2024; (b)

Shanghai Jiuguang Property decreasing by 6.4% from RMB404 for 1H2023 to RMB378 for 1H2024; and (c) Suzhou Jiuguang Property decreasing by 2.8% from RMB496 for 1H2023 to RMB482 for 1H2024 as the consumers were cautious in their spending amid the deteriorating economic conditions in the PRC which was evidenced by the consumer confidence index in the PRC decreased from an average of 90.4 points for 1H2023 to 88.0 points for 1H2024 (source: Bloomberg); and

- (ii) According to the Interim Report 2024, profit for the period attributable to shareholders of the Company decreased by 67.4% to RMB41.7 million for 1H2024 (1H2023: RMB127.6 million). The decrease in profit was attributable to (a) a 37.0% year-on-year decrease in the Group's share of profit from its associates, mainly due to the absence of the one-off gain arising from land disposal in 1H2023; (b) a 7.3% decrease in the Group's revenue as explained in (i) above; and (c) a 51.1% increase in finance charges related to the increase in lease liabilities following renewal and extension of another 20 years in respect of the lease for Shanghai Jiuguang Property on 20 March 2023, about 1.5 years ahead the expiry of the existing lease, resulting in remeasurement of lease liabilities arising from the new and existing leases for Shanghai Jiuguang Property on 20 March 2023 as well as the finance cost thereafter.

5. PROPERTY INTERESTS AND ADJUSTED NET ASSET VALUE

The valuation of the Properties as at 30 November 2024 has been conducted by Knight Frank, an independent property valuer to the Company. The market value of the Properties as at 30 November 2024 was RMB11,192.0 million. Further details of the aforementioned Properties and the corresponding property valuation report prepared by Knight Frank are set out in Appendix III to this Scheme Document.

By taking into account the effect of revaluation surplus arising from the valuation of the aforementioned Properties, set out below is the calculation of the adjusted unaudited net asset value (the "Adjusted NAV") of the Group:

	<i>RMB million</i>
Unaudited NAV of the Group attributable to owners of the Company as at 30 June 2024	9,440.3
<i>Add: Revaluation surplus of the Properties</i> ^(Note 1)	3,066.3
<i>Less: Deferred tax on revaluation surplus of the Properties</i> ^(Note 2)	<u>(766.6)</u>
Adjusted NAV	<u>11,740.0</u>
Adjusted NAV per Share (RMB) ^(Note 3)	8.017
Adjusted NAV per Share (HK\$) ^(Note 4)	8.681

Notes:

1. The revaluation surplus is calculated based on the difference between (i) the total market value of the Properties attributable to the Company as at 30 November 2024 of approximately RMB11,192.0 million as set out in the property valuation report prepared by Knight Frank in Appendix III to this Scheme Document and (ii) the unaudited book value of the Properties attributable to the Company as at 30 June 2024 of approximately RMB8,125.7 million.
2. It represents the deferred tax on temporary differences between the market values of the Properties and the corresponding tax base used in computation of taxable profit, without considering the impact of other unrecognised temporary differences of the Group. Since all the revaluation surplus is attributed to Properties in the PRC, the Enterprise Income Tax of 25.0% is applied.
3. It is calculated based on 1,464,448,500 Shares in issue as at 30 June 2024.
4. Using the exchange rate of HK\$1: RMB0.92343, the central parity rate published by the People's Bank of China as at the Last Trading Date.

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the directors of the Offeror were Mr. Lau, Ms. Lau Kam Shim and Mr. Lau Kam Sen. They jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors in their capacity as Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Board comprised Mr. Lau, Mr. Lau Kam Sen and Ms. Lau Kam Shim as executive directors, Ms. Chan Chor Ling, Amy, as non-executive director; and Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai, as independent non-executive directors. They jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the directors of the Offeror in their capacity of as directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$20,000,000 divided into 4,000,000,000 Shares;
- (b) the issued share capital of the Company was 1,464,448,500 Shares;
- (c) all Shares in issue were fully paid or credited as fully paid and rank *pari passu* in all respects with each other, including, as to rights to capital, dividends and voting;
- (d) no Shares had been issued by the Company since 31 December 2023, being the end of the last financial year of the Company up to and including the Latest Practicable Date; and
- (e) save for the 1,464,448,500 Shares in issue, the Company did not have any outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

3. MARKET PRICES

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

Date	Closing price per Share HK\$
28 June 2024	0.820
31 July 2024	0.800
30 August 2024	0.660
30 September 2024	0.720
31 October 2024	0.770
29 November 2024	0.750
2 December 2024 (being the Last Trading Date)	0.750
31 December 2024	1.030
24 January 2025 (being the Latest Practicable Date)	0.850

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.110 on 16 December 2024, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.630 on 17 September 2024 and 23 September 2024.

4. DISCLOSURE OF INTERESTS

4.1 Directors' and chief executive's interests in the Shares

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or shares and debentures of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise

notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, or required to be disclosed under the Takeovers Code were as follows:

Long position in Shares

Name of Director or chief executive	Capacity/ Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of issued share capital of the Company
Mr. Lau	Beneficial owner	252,051,460	17.21%
	Interest of controlled corporation ^(Note)	844,988,832	57.70%
Ms. Chan Chor Ling Amy	Beneficial owner	297,000	0.02%

Note:

The 844,988,832 Shares comprise:

- (1) 540,000,000 Shares held by United Goal. United Goal is ultimately owned as to 80% by Mr. Lau through Asia Prime Assets Limited (“**Asia Prime**”), the entire issued share capital of which is wholly owned by Mr. Lau and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the same parcel of shares in which United Goal is interested.
- (2) 304,988,832 Shares held by Dynamic Castle, which is wholly owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the same parcel of shares held by Dynamic Castle.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or shares and debentures of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers contained in Listing Rules, or required to be disclosed under the Takeovers Code.

4.2 Interests of substantial Shareholders in the Shares

As at the Latest Practicable Date, the Company had been notified of the following substantial Shareholders' interests in the Shares and underlying Shares, which have been recorded in the register of substantial shareholders required to be kept by the Company pursuant to section 336 of Part XV of the SFO. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Long position in Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held ^{Note (1)}	Approximate percentage of the total issued share capital of the Company
United Goal	Beneficial owner ^{Note (2)}	540,000,000	36.87%
Asia Prime	Interest of controlled corporation ^{Notes (1) and (2)}	540,000,000	36.87%
Dynamic Castle	Beneficial owner ^{Note (2)}	304,988,832	20.83%

Notes:

- (1) Asia Prime, a company wholly owned by Mr. Lau, holds 80% of the entire issued share capital of United Goal. By virtue of the SFO, Asia Prime is deemed to be interested in the same parcel of shares comprising 540,000,000 shares in which United Goal is interested as beneficial owner.
- (2) Mr. Lau, Mr. Lau Kam Sen and Ms. Lau Kam Shim are directors of United Goal, Asia Prime and Dynamic Castle.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares of the Company as at the Latest Practicable Date.

4.3 Interests of the Offeror and Offeror Concert Parties in the Shares

As at the Latest Practicable Date, the Offeror did not hold any Shares and the Offeror Concert Parties held 1,129,464,292 Shares (representing 77.13% of the issued Shares) (the breakdown as shown below). Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

Long position in Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held ^{Note (1)}	Approximate percentage of the total issued share capital of the Company
Mr. Lau ^{Note (1)}	Beneficial owner	252,051,460	17.21%
Mr. Lau's SPV Entities ^{Note (2)}	Beneficial owner and interest of controlled corporation ^{Note (2)}	844,988,832	57.70%
Ms. Lau ^{Note (3)}	Beneficial owner	9,308,500	0.64%
Ms. Lau's SPV Entities ^{Note (4)}	Beneficial owner	23,115,500	1.58%

Notes:

- (1) 252,051,460 Shares are held by Mr. Lau as beneficial owner.
- (2) 540,000,000 Shares are held by United Goal. United Goal is ultimately owned as to 80% by Mr. Lau through Asia Prime (the entire issued share capital of which is wholly owned by Mr. Lau) and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau. The remaining 304,988,832 Shares are held by Dynamic Castle, which is wholly owned by Mr. Lau.
- (3) 9,308,500 Shares are held by Ms. Lau, a younger sister of Mr. Lau, as beneficial owner.
- (4) 1,000,000 Shares are held by Chaker Investments Ltd, which is wholly owned by Ms. Lau. The remaining 22,115,500 Shares are held by WinPath Limited, which is wholly owned by Ms. Lau.

4.4 Dealings in the securities of the Company

- (a) During the Relevant Period:
 - (i) none of the Offeror, its directors or the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares; and

- (ii) none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (b) From the commencement of the Offer Period and up to the Latest Practicable Date:
- (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) owned or controlled, or had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
 - (ii) save for the Amended Proposal, no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
 - (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (A) the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, or (B) the Offeror or the Offeror Concert Parties, and no such person had any dealings in, any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
 - (iv) no fund managers connected with the Company who managed funds on a discretionary basis (other than exempt fund managers) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

4.5 Interests and dealings in the securities of the Offeror

- (a) As at the Latest Practicable Date, the Offeror was wholly owned by Mr. Lau. Save as disclosed above, as at the Latest Practicable Date, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror;

- (b) During the Relevant Period, none of the Company or any of the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

4.6 Other interests

As at the Latest Practicable Date:

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (b) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers); and
- (c) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. ARRANGEMENTS IN CONNECTION WITH THE AMENDED PROPOSAL

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Amended Proposal, and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Amended Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on the one hand, and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or that was dependent upon the Amended Proposal or the Scheme;
- (c) there was no agreement or arrangement to which the Offeror or any Offeror Concert Party is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Amended Proposal or the Scheme;
- (d) no irrevocable commitment to vote for or against the Scheme had been received by the Directors, the Offeror or the Offeror Concert Parties;

- (e) each of the Offeror Concert Parties had provided an undertaking to the Grand Court not to be represented and vote at the Court Meeting;
- (f) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) either (a) the Offeror or the Offeror Concert Parties; or (b) the Company or the Company's subsidiaries or associated companies; and
- (g) save for the Revised Cancellation Price for each Scheme Share cancelled payable under the Scheme, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or person acting in concert with them in relation to the Scheme Shares.

6. MATERIAL LITIGATION

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

7. MATERIAL CONTRACTS

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

- (a) the entrusted loan agreement dated 24 June 2024 entered into between Shanghai Ongoing Department Store Limited (上海久光百貨有限公司) (a sino-foreign equity joint venture enterprise established in the PRC with limited liability, of which the Group owns an effective equity stake of 65%) ("**Shanghai Ongoing**") as lender, an independent third party licensed to conduct banking and related financial services in the PRC (the "**Bank**") as lending agent and 上海九百城市廣場有限公司 (Shanghai Joinbuy City Plaza Co. Ltd.*) (a sino-foreign equity joint venture enterprise established in the PRC with limited liability, of which the Group owns an effective equity stake of 50%) ("**Shanghai Joinbuy City Plaza**") as borrower, pursuant to which, Shanghai Ongoing has agreed to entrust the Bank to provide the entrusted loan(s), on a revolving basis, with an aggregate principal amount of up to RMB60,000,000 (equivalent to approximately HK\$65,766,600) to Shanghai Joinbuy City Plaza for a period of three years. Further details of the transaction has been set out in the Company's announcement dated 24 June 2024.

- (b) the tenancy agreement dated 28 December 2022 entered into between Shanghai Ongoing as tenant and Shanghai Joinbuy City Plaza as landlord in relation to the entire building (including open space, external wall and roof top of the building) situated at 1618 Nanjing Xi Road, Shanghai, the PRC known as Shanghai Joinbuy City Plaza Building (上海久百城市廣場大廈) at a basic rental of RMB130 million per year, which constituted very substantial acquisition and one-off connected transaction of the Company under the Listing Rules. Further details of the transaction have been set out in the Company's announcement dated 28 December 2022 and circular dated 22 February 2023.

8. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

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

9. DIRECTORS' SERVICE CONTRACTS

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

10. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or have given their opinion or advice which are contained in this Scheme Document:

Name	Qualifications
Quam Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Knight Frank	being the independent property valuer to the Company, which carried out a valuation of the Group's property interests in accordance with "The HKIS Valuation Standards 2020" issued by the Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards" issued by the Royal Institution of Chartered Surveyors, Chapter 5 of the Listing Rules and Rule 11 of the Takeovers Code

Each of the experts named above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of its letter, report or opinion (as the case may be) and references to its name in the form and context in which they are included.

11. MISCELLANEOUS

- (a) The Offeror is a private company limited by shares incorporated in the British Virgin Islands on 4 January 2021. It is an investment holding company and does not hold any assets or businesses.
- (b) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong.
- (c) The principal members of the Offeror Concert Parties are the Mr. Lau and Mr. Lau's SPV Entities.
- (d) Mr. Lau is an executive Director, the chairman of the Board and the chief executive officer of the Company, and is the controlling Shareholder.

- (e) The correspondence address in Hong Kong of Mr. Lau and Mr. Lau's SPV Entities is at 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong.
- (f) Quam Capital is the financial adviser to the Offeror in relation to the Amended Proposal, and its registered address is at 5/F and 24/F (Rooms 2401 and 2412), Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (g) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (h) The head office and principal place of business of the Company is 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong.
- (i) The registered office of the Independent Financial Adviser, Somerley, is at 20/F China Building, 29 Queen's Road Central, Hong Kong.
- (j) The directors of United Goal are Mr. Lau, Mr. Lau Kam Sen, Ms. Lau Kam Shim, Ms. Chan Hoi Wan and Ms. Lam Po Wan, Ivy.
- (k) The directors of Asia Prime are Mr. Lau, Mr. Lau Kam Sen and Ms. Lau Kam Shim.
- (l) The directors of Dynamic Castle are Mr. Lau, Mr. Lau Kam Sen and Ms. Lau Kam Shim.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:00 a.m. to 5:00 p.m. on business days at the principal office of the Company in Hong Kong at 20th Floor, East Point Centre, 555 Hennessy Road, Causeway Bay, Hong Kong and on the website of the Company at <https://www.lifestylechina.com.hk> and the website of the SFC at www.sfc.hk from the date when this Scheme Document is published until (a) the Effective Date, and (b) the date on which the Scheme is withdrawn or lapses, whichever is earlier:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports containing audited consolidated financial statements of the Company for the years ended 31 December 2021, 31 December 2022 and 31 December 2023;
- (d) the interim reports of the Company containing the unaudited consolidated financial statements of the Company for the six months ended 30 June 2023 and 30 June 2024;

- (e) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (h) the written consents referred to in the section headed “10. Consents and Qualifications of Experts” in this Appendix;
- (i) the undertaking given by each of the Offeror Concert Parties to the Grand Court referred to in the section headed “5. Arrangements in Connection with the Amended Proposal” in this Appendix;
- (j) the property valuation report (including the valuation certificate) from Knight Frank, the text of which is set out in Appendix III to this Scheme Document;
- (k) the material contracts referred to in the section headed “7. Material Contracts” in this Appendix; and
- (l) this Scheme Document.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this scheme document received from Knight Frank Petty Limited, an independent property valuer, in connection with its opinion of the value of property interests held by the Group as at 30 November 2024. Unless otherwise defined in the scheme document, terms defined in this appendix apply to this appendix only.



Private & Confidential

The Board of Directors
Lifestyle China Group Limited
20/F, 555 Hennessy Road
Causeway Bay
Hong Kong

28 January 2025

Dear Sirs

Valuation of Various Properties located in The People’s Republic of China (the “Properties”)

In accordance with the instructions of Lifestyle China Group Limited (hereinafter referred to as “the Company”) for us to value the Properties in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 November 2024 (the “Valuation Date”).

Basis of Valuation

Our valuation is our opinion of the market value of the Properties, which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the Valuation Date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuation Methodology

In valuing the property no.1 in Group I which are held by the Company in the PRC for investment purpose and nos. 2 and 3 in Group II which are properties occupied by owner held by the Company in the PRC, we have valued the property by “Income Approach — Term and Reversion Method” by capitalizing the net income shown on tenancy schedules handed to us by the Company and made provisions for reversionary income potential.

In valuing the remaining properties in Group II which are properties occupied by owner held by the Company in the PRC, we have valued these properties by Market Approach and made reference to the recent market sales evidence which is available in the market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Properties and the comparable properties such as time, size and location in arriving at our opinion of the market value.

Title Documents and Encumbrances

We have been provided by the Company with extracts of title documents relating to the Properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us by the Company. In the course of our valuation, we have relied on the information given by the Company and its PRC legal adviser, Commerce & Finance Law Offices, regarding the title and other legal matters relating to the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any Properties nor for any expenses or taxation which may be incurred in effecting a sale. In the course of our valuation, we have taken into account the legal opinions provided by the PRC legal advisor, Commerce & Finance Law Offices, stating that the Properties are free from mortgages and encumbrances that could affect their values unless otherwise stated.

Source of Information

We have relied to a very considerable extent on the information given by the Company and the legal opinion of the Company’s PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and/or its PRC legal adviser which is material to the valuation. We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy summaries, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the

valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the Properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Company that no material facts have been omitted from the information provided.

Inspection and Structural Condition

We have inspected the Properties and the inspections were carried out by our assistant valuers Willow Chen and Penny He from 13 December 2024 to 18 December 2024. Both of them are bachelor's degree graduate having approximately 1 to 2 years of valuation experience. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Identity of Properties to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to the Company) to ensure that the Properties, identified by the property addresses in the instructions, are the Properties inspected by us and contained within our valuation report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licenses, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

Remarks

In preparing our valuation report, we have complied with current editions of “The HKIS valuation Standards” issued by the Hong Kong Institute of Surveyors (“HKIS”) and “The RICS Valuation — Global Standards” (the “Red Book”) issued by the Royal Institute of Chartered Surveyors (“RICS”), and the requirements contained in the relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

As advised by the Company, for property nos. 1 to 5, there may be potential tax liability which would arise if the property interests were to be sold. Should disposal of the property interests located in the PRC be conducted, the potential tax liabilities arising may include value-added tax (5% or 9% on the transaction amount), urban construction and maintenance tax (7% on the value-added tax), educational surcharge (3% on the value-added tax), local educational surcharge (2% on the value-added tax), corporation income tax (25% on net profit upon disposal); stamp duty (0.05% on transaction amount) and land appreciation tax (the applicable rate is ranging from 30% to 60% on the net appreciated amount less deductibles). For property nos. 1 to 5, the likelihood of the relevant tax liability being crystallised is remote as the Company has no detail planning for the disposal of such properties yet.

Currency

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The adopted exchange rate for conversion between Hong Kong Dollars and RMB is HK\$1 = RMB0.92355.

Our summary of values and valuation reports are attached.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Reviewed (but not undertaken) by:

Gary Lau

*MHKIS MRICS RPS(GP) RICS Registered Valuer
Senior Director
Valuation & Advisory*

Cyrus Fong

*FRICS FHKIS RPS(GP) MCIREA RICS Registered
Valuer
Executive Director
Head of Valuation & Advisory, Greater China*

Enc

Notes:

Mr. Cyrus Fong is a fellow member of RICS and HKIS who has over 18 years of extensive experience in the Real Estate Industry. He has conducted numerous assignments for different types of properties including development sites, luxury residential, commercial, industrial properties in Hong Kong, UK and Asia Pacific region for various valuation purposes.

Mr. Gary Lau is a qualified member of RICS and HKIS who has over 15 years of extensive experience in the Real Estate Industry. He has conducted numerous assignments for different types of properties including development sites, residential, office, commercial, logistics, school, convention centre and industrial properties in PRC, UK and Asia Pacific region for various valuation purposes.

SUMMARY OF VALUES

Group I — Investment Property held by the Company in the PRC

Property	Market value in existing state as at 30 November 2024 (RMB)	Approximate equivalent to market value in existing state as at 30 November 2024 (HK\$)
1. Office Portion of Shanghai Jiuguang Center, No. 2188 Gonghexin Road, Jing'an District, Shanghai, the PRC	RMB2,705,000,000	HK\$2,929,000,000

Group II — Property Occupied by Owner held by the Company in the PRC

Property	Market value in existing state as at 30 November 2024 (RMB)	Approximate equivalent to market value in existing state as at 30 November 2024 (HK\$)
2. Retail and Carparking Portion of Shanghai Jiuguang Center, No. 2188 Gonghexin Road, Jing'an District, Shanghai, the PRC	RMB5,010,000,000	HK\$5,425,000,000
3. Suzhou Store, No. 268 Wangdun Road, Industrial Park District, Suzhou, Jiangsu Province, the PRC	RMB2,077,000,000	HK\$2,249,000,000
4. Dalian Jiuguang Store, No. 11 Youhao Road, Zhongshan District, Dalian, Liaoning Province, the PRC	RMB293,000,000	HK\$317,000,000
5. A commercial building located in No. 68 Zhongjie Road, Shenhe District, Shenyang, Liaoning Province, the PRC	RMB1,107,000,000	HK\$1,199,000,000
Total:	<u>RMB11,192,000,000</u>	<u>HK\$12,119,000,000</u>

VALUATION REPORT

Group I — Investment Property held by the Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2024
1. Office Portion of Shanghai Jiuguang Center, No. 2188 Gonghexin Road, Jing'an District, Shanghai, the PRC	<p>Shanghai Jiuguang Center is a commercial development located at No. 2188 Gonghexin Road. The surrounding area is clustered by shopping malls, including Daning International Commercial Plaza, and Daning Music Plaza.</p> <p>The property is erected on a parcel of land with a site area of approximately 50,153.50 sq m. It comprises two 20-storey office towers with a total gross floor area (the "GFA") of 78,987.41 sq m. The property was completed in 2020.</p> <p>The land use rights of the property have been granted for land use rights terms expiring on 26 July 2062 for office use and 26 July 2052 for commercial, other commercial service, cultural and sports uses respectively.</p>	<p>Portion of the property with a total gross floor area of approximately 31,107.97 sq m is subject to various tenancies, yielding a total monthly rent of approximately RMB4,230,000, exclusive of VAT and management fee and charges.</p> <p>The remaining portion of the property is vacant.</p>	<p>RMB2,705,000,000 (RENMINBI TWO BILLION SEVEN HUNDRED AND FIVE MILLION ONLY) (equivalent to approximately HK\$2,929,000,000)</p>

Notes:

- Pursuant to the Business License with Unified Social Credit No. 91310000594703976L dated 26 July 2024, Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. (利怡達商業置業(上海)有限公司), a wholly-owned subsidiary of the Company, was established as a limited liability company (investment from Taiwan, Hong Kong, and Macau, non-sole proprietorship) from 23 April 2012, with a registered capital of RMB3,249,429,232.
- Pursuant to the Shanghai State-owned Land Use Rights Transfer Contract Nos. Hu Jing Gui Hua Zi Yuan (2020) Chu Rang He Tong Bu Zi Di 2/Hu Zha Gui Tu (2012) Chu Rang He Tong Di 1 (3.0 Ban) issued by the Shanghai Jing'an District Planning and Natural Resources Bureau dated 10 March 2020, a parcel of land with a site area of 50,153.50 sq m was granted to Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. (利怡達商業置業(上海)有限公司) for land use rights terms of 40 years for commercial use and other commercial service use; and 50 years for office use and cultural & sports uses, with expiring on 26 July 2052 and 26 July 2062 respectively.

3. Pursuant to the Real Estate Title Certificate No. Hu (2022) Jing Zi Bu Dong Chan Quan Di 007693 issued by the Shanghai Natural Resources Confirmation and Registration Bureau dated 24 August 2022, the office portion of the property with a GFA of approximately 78,987.41 sq m was granted to Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. (利怡達商業置業(上海)有限公司) for land use rights terms of 40 years for commercial use and other commercial service use; and 50 years for office use and cultural & sports uses, with expiring on 26 July 2052 and 26 July 2062 respectively. The property is required to be held as a whole for no less than 10 years after completion.
4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
 - (i) Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. is the registered right holder of the land use rights of the property;
 - (ii) Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. is entitled to occupy, use, lease, transfer or handle the property in other ways according to relevant PRC laws within the specified land use rights term; and
 - (iii) the property is free from mortgage and other encumbrances.

Group II — Property Occupied by Owner held by the Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2024																				
2. Retail and Carparking Portions of Shanghai Jiuguang Center, No. 2188 Gonghexin Road, Jing'an District, Shanghai, the PRC	<p>Shanghai Jiuguang Center is a commercial development located at No. 2188 Gonghexin Road. The surrounding area is clustered by shopping malls, including Daning International Commercial Plaza, and Daning Music Plaza.</p> <p>The property is erected on a parcel of land with a site area of approximately 50,153.50 sq m. It comprises a 7-storey retail podium with 2 levels of basement with a total GFA of approximately 252,926.88 sq m. The property was completed in 2020. Details of the lettable floor area (the "LFA") of the property are listed as follows:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate LFA (sq m)</th> </tr> </thead> <tbody> <tr> <td>Level 1</td> <td>9,774.73</td> </tr> <tr> <td>Level 2</td> <td>8,576.07</td> </tr> <tr> <td>Level 3</td> <td>8,520.49</td> </tr> <tr> <td>Level 4</td> <td>7,540.00</td> </tr> <tr> <td>Level 5</td> <td>10,715.58</td> </tr> <tr> <td>Level 6</td> <td>3,966.41</td> </tr> <tr> <td>Level B1</td> <td>10,126.66</td> </tr> <tr> <td>Level B2</td> <td><u>11,082.58</u></td> </tr> <tr> <td>Total:</td> <td><u>70,302.52</u></td> </tr> </tbody> </table>	Level	Approximate LFA (sq m)	Level 1	9,774.73	Level 2	8,576.07	Level 3	8,520.49	Level 4	7,540.00	Level 5	10,715.58	Level 6	3,966.41	Level B1	10,126.66	Level B2	<u>11,082.58</u>	Total:	<u>70,302.52</u>	The property is an owner-occupied commercial complex.	RMB5,010,000,000 (RENMINBI FIVE BILLION AND TEN MILLION ONLY) (equivalent to approximately HK\$5,425,000,000)
Level	Approximate LFA (sq m)																						
Level 1	9,774.73																						
Level 2	8,576.07																						
Level 3	8,520.49																						
Level 4	7,540.00																						
Level 5	10,715.58																						
Level 6	3,966.41																						
Level B1	10,126.66																						
Level B2	<u>11,082.58</u>																						
Total:	<u>70,302.52</u>																						
	In addition, the property comprises 1,693 basement car parking spaces.																						
	The land use rights of the property have been granted for land use rights terms expiring on 26 July 2062 for office use and 26 July 2052 for commercial, other commercial service, cultural and sports uses respectively.																						

Notes:

1. Pursuant to the Business License with Unified Social Credit No. 91310000594703976L dated 26 July 2024, Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. (利怡達商業置業(上海)有限公司), a wholly-owned subsidiary of the Company, was established as a limited liability company (investment from Taiwan, Hong Kong, and Macau, non-sole proprietorship) from 23 April 2012, with a registered capital of RMB3,249,429,232.
2. Pursuant to the Shanghai State-owned Land Use Rights Transfer Contract Nos. Hu Jing Gui Hua Zi Yuan (2020) Chu Rang He Tong Bu Zi Di 2/Hu Zha Gui Tu (2012) Chu Rang He Tong Di 1 (3.0 Ban) issued by the Shanghai Jing'an District Planning and Natural Resources Bureau dated 10 March 2020, a parcel of land with a site area of 50,153.50 sq m was granted to Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. (利怡達商業置業(上海)有限公司) for land use rights terms of 40 years for commercial use and other commercial service use; and 50 years for office use and cultural & sports uses, with expiring on 26 July 2052 and 26 July 2062 respectively.
3. Pursuant to the Real Estate Ownership Certificate No. Hu (2022) Jing Zi Bu Dong Chan Quan Di 007692 issued by the Shanghai Natural Resources Confirmation and Registration Bureau dated 24 August 2022, the retail portion of the property with a GFA of approximately 252,926.88 sq m was granted to Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. (利怡達商業置業(上海)有限公司) for a term of 40 years for commercial use and other commercial service use; and 50 years for office use and cultural & sports uses, with expiring on 26 July 2052 and 26 July 2062 respectively. The property is required to be held as a whole for no less than 10 years after completion.
4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
 - (i) Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. is the registered right holder of the land use rights of the property;
 - (ii) The property is subject to mortgage;
 - (iii) Li Yi Da Commercial and Real Estate (Shanghai) Co. Ltd. is entitled to occupy, use, lease, transfer or handle the property in other ways according to relevant PRC laws within the specified land use rights term; and
 - (iv) Except for the mortgage mentioned in 4(ii), the property is free from mortgage and other encumbrances.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2024
3. Suzhou Store, No. 268 Wangdun Road, Industrial Park District, Suzhou, Jiangsu Province, the PRC	Suzhou Store is a commercial development located at No. 268 Wangdun Road. The surrounding area is clustered by shopping malls, including Suzhou Center Mall, Harmony Times Square and the Suzhou International Expo Center.	The property is owner-occupied and operated as a department store.	RMB2,077,000,000 (RENMINBI TWO BILLION SEVENTY SEVEN MILLION ONLY) (equivalent to approximately HK\$2,249,000,000)

The property is erected on a parcel of land with a site area of approximately 53,192.77 sq m. It comprises a 4-storey shopping center with 2 levels of basement. The property was completed in 2009. The property also comprises 716 basement car parking spaces.

Details of the approximate LFA of the property are listed as follows:

Level	Approximate LFA (sq m)
Level 1	10,851.00
Level 2	10,345.00
Level 3	11,303.00
Level 4	9,348.00
Level B1	5,952.00
Level B2	127.00
Total:	<u>47,926.00</u>

The land use rights of the property have been granted for a land use rights term expiring on 27 September 2046 for commercial use.

Notes:

- Pursuant to the Business License with Unified Social Credit No. 91320594798639611G dated 28 July 2023, Lifestyle Plaza (Suzhou) Co., Limited (利福廣場(蘇州)有限公司), a wholly-owned subsidiary of the Company, was established as a limited liability company (foreign investment, non-sole proprietorship) from 1 March 2007, with a registered capital of RMB1,071,072,800.

2. Pursuant to the State-owned Land Use Rights Certificate No. Su Gong Yuan Guo Yong (2007) Di 01045 issued by the Suzhou Municipal People's Government dated 16 March 2007, a parcel of land with a site area of 53,192.77 sq m was granted to Lifestyle Plaza (Suzhou) Co., Limited (利福廣場(蘇州)有限公司) for land use rights terms expiring on 27 September 2046 for commercial use.
3. Pursuant to the State-owned Building Ownership Certificate No. Su Fang Quan Zheng Yuan Qu Zi Di 00447923 issued by the Suzhou Industrial Park District Real Estate Bureau dated 1 November 2012, the property with a GFA of approximately 178,384.18 sq m was granted to Lifestyle Plaza (Suzhou) Co., Limited (利福廣場(蘇州)有限公司) for a term expiring on 27 September 2046 for non-residential use.
4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
 - (i) Lifestyle Plaza (Suzhou) Co., Limited is the registered right holder of the land use rights of the property;
 - (ii) Lifestyle Plaza (Suzhou) Co., Limited is entitled to occupy, use, lease, transfer or handle the property in other ways according to relevant PRC laws within the specified land use rights term; and
 - (iii) the property is free from mortgage and other encumbrances.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2024
4. Dalian Jiuguang Store, No. 11 Youhao Road, Zhongshan District, Dalian, Liaoning Province, the PRC	<p>Dalian Jiuguang Store is a commercial development located at No. 11 Youhao Road. The surrounding area is clustered by shopping malls, including Friendship Shopping Center, Dalian Times Square and the Dalian World Trade Center.</p> <p>The property is erected on a parcel of land with a site area of approximately 4,608.40 sq m. It comprises a 10-storey commercial building with 3 levels of basement. The property was completed in 2003.</p> <p>The property comprises an approximate GFA of 34,944.91 sq m. In addition, the property comprises 59 basement car parking spaces.</p> <p>The land use rights of the property have been granted for a land use rights term expiring on 2 March 2048 for commercial services use.</p>	The property is currently vacant.	<p>RMB293,000,000 (RENMINBI TWO HUNDRED AND NINETY THREE MILLION ONLY) (equivalent to approximately HK\$317,000,000)</p>

Notes:

- Pursuant to the Business License with Unified Social Credit No. 91210200604887474U dated 16 June 2023, Lifestyle Plaza (Dalian) Co., Ltd. (利福商廈(大連)有限公司), a wholly-owned subsidiary of the Company, was established as a limited liability company (investment from Taiwan, Hong Kong, and Macau, sole proprietorship) from 9 October 1993, with a registered capital of USD4,500,000.
- Pursuant to the State-owned Land Use Rights Certificate No. Da Guo Yong (2009) Di 01002 issued by the Dalian Municipal People's Government dated 5 March 2009, a parcel of land with a site area of 4,608.40 sq m was granted to Lifestyle Plaza (Dalian) Co., Ltd. (利福商廈(大連)有限公司) for land use rights terms expiring on 2 March 2048 for commercial services use.
- Pursuant to the Dalian Real Estate Ownership Certificate No. Zhong Dan 2009200271 issued by the Dalian Municipal People's Government dated 9 June 2009, the property with a GFA of approximately 34,944.91 sq m was granted to Lifestyle Plaza (Dalian) Co., Ltd. (利福商廈(大連)有限公司) for non-residential use.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
- (i) Lifestyle Plaza (Dalian) Co., Ltd. is the registered right holder of the land use rights of the property;
 - (ii) Lifestyle Plaza (Dalian) Co., Ltd. is entitled to occupy, use, lease, transfer or handle the property in other ways according to relevant PRC laws within the specified land use rights term; and
 - (iii) the property is free from mortgage and other encumbrances.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2024
5. A commercial building located in No. 68 Zhongjie Road, Shenhe District, Shenyang, Liaoning Province, the PRC	<p>The property is a commercial development situated in a prime location of Zhongjie CBD known for its bustling commercial activities. The building is clustered by shopping malls, including Palace 66 and Shenyang Shengjing Big Family Shopping Center, and is accessible via public transportation, with several bus routes nearby.</p> <p>The property is erected on a parcel of land with a site area of approximately 23,076.20 sq m. It comprises a 4-storey retail podium with 3 levels of basement. The property was completed in 2014.</p> <p>The property comprises an approximate GFA of 115,182.39 sq m. In addition, the property comprises 683 basement car parking spaces.</p> <p>The land use rights of the property have been granted for a land use rights term expiring on 22 March 2050 for commercial services use.</p>	The property is currently vacant.	<p>RMB1,107,000,000 (RENMINBI ONE BILLION ONE HUNDRED AND SEVEN MILLION ONLY) (equivalent to approximately HK\$1,199,000,000)</p>

Notes:

- Pursuant to the Business License with Unified Social Credit No. 91210200604887474U dated 16 June 2023, Shenyang Chuk Yuen Company Limited (瀋陽卓遠置業有限公司), a wholly-owned subsidiary of the Company, was established as a limited liability company (investment from Taiwan, Hong Kong, and Macau, sole proprietorship) from 1 December 2006, with a registered capital of RMB710,090,392.
- Pursuant to the State-owned Land Use Rights Certificate No. Shenyang Guo Yong (2010) Di 0055 issued by the Shenyang Municipal People's Government dated 22 April 2010, a parcel of land with a site area of 23,076.20 sq m was granted to Shenyang Chuk Yuen Company Limited (瀋陽卓遠置業有限公司) for land use rights terms expiring on 22 March 2050 for commercial services use.
- Pursuant to the Building Ownership Certificate No. Shen Fang Quan Zheng Zhong Xin Zi Di N060928776 issued by the Shenyang Real Estate Bureau dated 12 September 2016, the property with a GFA of approximately 115,182.39 sq m was granted to Shenyang Chuk Yuen Company Limited (瀋陽卓遠置業有限公司) for commercial department store use.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
- (i) Shenyang Chuk Yuen Company Limited is the registered right holder of the land use rights of the property;
 - (ii) Shenyang Chuk Yuen Company Limited is entitled to occupy, use, lease, transfer or handle the property in other ways according to relevant PRC laws within the specified land use rights term; and
 - (iii) the property is free from mortgage and other encumbrances.

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

Cause No. FSD 0374 of 2024

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2023 REVISION) (AS
REVISED)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 2023 (AS
REVISED)**

AND IN THE MATTER OF LIFESTYLE CHINA GROUP LIMITED

SCHEME OF ARRANGEMENT

BETWEEN

LIFESTYLE CHINA GROUP LIMITED

AND

**THE SCHEME SHAREHOLDERS
(as defined below)**

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “persons acting in concert” and “concert parties” shall be construed accordingly
“Amended Proposal”	the Proposal, as amended by the increase of the Original Cancellation Price as disclosed in the Amended Proposal Announcement and on the terms and subject to the conditions set out in this Scheme Document
“Amended Proposal Announcement”	the joint announcement of the Company and the Offeror dated 16 January 2025 in relation to, among others, the Amended Proposal
“Board”	the board of Directors
“business day”	a day on which the Stock Exchange is open for the transaction of business

“Companies Act”	the Companies Act (2023 Revision) (As Revised) of the Cayman Islands, as consolidated and revised from time to time
“Company”	Lifestyle China Group Limited 利福中國集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2136)
“Condition(s)”	the condition(s) to the implementation of the Amended Proposal and the Scheme, as set out in the section headed “3. Conditions of the Amended Proposal and the Scheme” in the Explanatory Memorandum in Part VII of the Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at 10:30 a.m. (Hong Kong time) on Thursday, 20 February 2025 at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong, at which this Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Dynamic Castle”	Dynamic Castle Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Lau
“Effective Date”	28 February 2025, being the date on which this Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“General Meeting”	an extraordinary general meeting of the Company to be convened at 11:00 a.m. on Thursday, 20 February 2025 (or immediately after the Court Meeting has been concluded or adjourned) at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong, for the purpose of approving all necessary resolutions for, among other things, the implementation of the Scheme, or any adjournment thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Directors comprising Ms. Chan Chor Ling, Amy, Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai, all being the non-executive Director and independent non-executive Directors
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Latest Practicable Date”	24 January 2025, being the latest practicable date for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	30 April 2025, or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and the Grand Court may direct, being the last date the Conditions can be fulfilled or waived (as applicable), failing which the Amended Proposal and the Scheme will lapse
“Mr. Lau”	Mr. Lau Luen Hung, Thomas, an executive Director and the Chairman and Chief Executive Officer of the Company and the sole shareholder and the ultimate beneficial owner of the Offeror
“Mr. Lau’s SPV Entities”	United Goal and Dynamic Castle
“Ms. Lau”	Ms. Lau Yuk Chun, Mary, a younger sister of Mr. Lau
“Ms. Lau’s SPV Entities”	(i) Chaker Investments Ltd, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Ms. Lau; and (ii) WinPath Limited, a company incorporated in British Virgin Islands with limited liability which is wholly-owned by Ms. Lau
“Offeror”	Fortune Spirit Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Lau

“Offeror Concert Parties”	persons acting, or presumed to be acting, in concert with the Offeror (including but not limited to the Offeror Concert Parties Subject to the Scheme and the Offeror Concert Parties Not Subject to the Scheme)
“Offeror Concert Parties Not Subject to the Scheme”	Mr. Lau and Mr. Lau’s SPV Entities, who are persons acting in concert with the Offeror under the Takeovers Code and whose Shares are not subject to the Scheme
“Offeror Concert Parties Subject to the Scheme”	Ms. Lau and Ms. Lau’s SPV Entities, who are persons presumed to be acting in concert with the Offeror under the Takeovers Code
“Original Cancellation Price”	the original cancellation price of HK\$0.913 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to this Scheme
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of this Scheme and the withdrawal of listing of the Shares from the Stock Exchange
“Quam Capital”	Quam Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the exclusive financial adviser to the Offeror in connection with the Amended Proposal
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Act
“Revised Cancellation Price”	the cancellation price of HK\$0.980 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Amended Proposal
“Scheme”	the scheme of arrangement to be proposed under section 86 of the Companies Act for the implementation of the Amended Proposal

“Scheme Document”	the composite scheme document of the Offeror and the Company, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time, and containing, among other things, further details of the Amended Proposal, a letter from the Board, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser to the Independent Board Committee, a valuation report, and notices to convene the Court Meeting and General Meeting together with forms of proxy in relation thereto
“Scheme Record Date”	Friday, 28 February 2025, or such other date as shall have been announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders under this Scheme
“Scheme Shareholder(s)”	registered holders of the Scheme Shares
“Scheme Shares”	the Shares in issue on the Scheme Record Date other than those held by the Offeror Concert Parties Not Subject to the Scheme
“severe weather”	the scenario where a tropical cyclone warning signal number 8 or above is hoisted, a black rainstorm warning and/or the “extreme conditions” warning as announced by the Hong Kong government is/are in force in Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares with nominal value of HK\$0.005 each of the Company
“Share Registrar”	Computershare Hong Kong Investor Services Limited
“Shareholder(s)”	registered holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“United Goal”

United Goal Resources Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately owned as to 80% by Mr. Lau through his controlled corporation and as to 20% by certain family members of Mr. Lau Luen Hung, Joseph, the elder brother of Mr. Lau

- (B) The Company was incorporated as an exempted company on 4 January 2016 with limited liability under the laws of the Cayman Islands with registration number 307157. The Company’s registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company is HK\$20,000,000 divided into 4,000,000,000 Shares of HK\$0.005 each, of which 1,464,448,500 Shares are in issue, with the remainder being unissued. Since 30 June 2016, the issued shares of the Company have been listed on the Main Board of the Stock Exchange with Stock Code 2136.
- (D) The Offeror has proposed the privatisation of the Company by way of this Scheme.
- (E) The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration for the Revised Cancellation Price, so that thereafter the Offeror and the Offeror Concert Parties Not Subject to the Scheme will hold (in aggregate) the entire issued share capital of the Company. Upon the cancellation and extinguishment of all the Scheme Shares, the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The credit arising in the books of accounts of the Company as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror, who shall be the sole holder of all such new Shares.
- (F) As at the Latest Practicable Date:
- (i) the Company has 1,464,448,500 Shares in issue;

- (ii) the Offeror does not legally or beneficially own any Shares, and the Offeror Concert Parties beneficially own 1,129,464,292 Shares in aggregate, representing approximately 77.13% of the total number of Shares in issue, among which are held by:

	As at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate % of total issued Shares</i>
Offeror Concert Parties Not Subject to the Scheme		
Mr. Lau	252,051,460	17.21
Mr. Lau's SPV Entities	844,988,832	57.70
Offeror Concert Parties Subject to the Scheme		
Ms. Lau	9,308,500	0.64
Ms. Lau's SPV Entities	<u>23,115,500</u>	<u>1.58</u>
TOTAL	<u><u>1,129,464,292</u></u>	<u><u>77.13</u></u>

- (iii) the remaining 367,408,208 Shares, representing approximately 25.09% of the total issued Shares, constituted the Scheme Shares.
- (G) The Offeror Concert Parties will, and have undertaken to the Grand Court to, procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving this Scheme.
- (H) Each of the Offeror and the Offeror Concert Parties has undertaken to the Grand Court to be bound by this Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to the Scheme.

SCHEME OF ARRANGEMENT**PART I****CANCELLATION OF THE SCHEME SHARES**

1. On the Effective Date:
 - (a) the Scheme Shares shall be cancelled and extinguished and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares, except the right to receive the Revised Cancellation Price;
 - (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company shall be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issuance at par to the Offeror of the same number of new Shares as the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par the new Shares issued to the Offeror.

PART II**CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of the Scheme Shares, the Offeror shall pay or cause to be paid the Revised Cancellation Price to each Scheme Shareholder.

PART III**GENERAL**

3. (a) As soon as possible but in any event no later than 7 business days after the Effective Date, the Offeror shall post or cause to be posted cheques to the Scheme Shareholders in respect of such sums payable to such Scheme Shareholders pursuant to paragraph 2 under the section headed "Part II — Consideration for Cancellation of the Scheme Shares" of this Scheme. If any severe weather condition is (a) in effect in Hong Kong at any local time before 12:00 noon but no longer in force at or after 12:00 noon on Tuesday, 11 March 2025, the latest date to despatch cheques for cash payment of the Revised Cancellation Price to the Scheme Shareholders will remain on the same business day; or (b) in effect at 12:00 noon and/or thereafter on Tuesday, 11 March 2025, the latest time to despatch cheques for cash payment of the Revised Cancellation Price to the Scheme Shareholders may be postponed to the next business day (that does not have any severe weather condition at 12:00 noon or thereafter), i.e. Wednesday, 12 March 2025 (or a later date that does not have any severe weather condition at 12:00 noon or thereafter).

- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) under this section headed “Part III — General” of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Quam Capital, the Independent Financial Adviser, the Share Registrar, nor their respective directors, officers, employees, agents, advisers, associates, affiliates, or any other persons involved in the Amended Proposal will be responsible for any loss or delay in transmission.
- (e) On or after the day being 6 calendar months after the posting of the cheques pursuant to paragraph 3(b) under this section headed “Part III — General” of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror (or its nominee) shall hold such monies represented by such uncashed cheques on trust until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 under the section headed “Part II — Consideration for Cancellation of the Scheme Shares” of this Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme, and are subject to, if applicable, the deduction required by law and expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under this Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in

paragraph 3(e) under this section headed “Part III — General” of this Scheme, including accrued interest subject to, if applicable, any deduction required by law and expenses incurred.

(g) Paragraph 3(f) under this section headed “Part III — General” of this Scheme shall take effect subject to any prohibition or condition imposed by law.

4. From and including the Effective Date:

(a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Offeror, to deliver up such certificates to the Offeror, or to any person appointed by the Offeror, to receive the same for cancellation;

(b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and

(c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

5. Subject to the Conditions having been fulfilled or waived, as applicable, this Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.

6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.

7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Grand Court may see fit to approve or impose.

8. The compromise and arrangement effected by this Scheme shall apply to all Scheme Shares and is binding on all Scheme Shareholders.

9. If any provision (or any part of any provision) of this Scheme is found by the Grand Court to be illegal or unenforceable, it shall be severed from this Scheme and the remaining provisions of this Scheme shall continue in force.

10. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

The terms of this Scheme shall be governed by, and construed in accordance with, the laws of the Cayman Islands and the courts of the Cayman Islands shall have exclusive jurisdiction to hear and determine any proceeding and to settle any dispute which

arises out of or in connection with the terms of this Scheme or its implementation (or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme) and for such purposes, the parties irrevocably submit to the exclusive jurisdiction of the Courts of the Cayman Islands (provided, however, that nothing in this Clause shall affect the validity of other provisions determining governing law and jurisdiction between the parties whether contained in any contract or otherwise).

11. The terms of this Scheme and the obligations imposed on the Company and the Offeror hereunder shall take effect subject to any prohibition or condition imposed by any applicable law.

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

Cause No. FSD 0374 of 2024

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2023 REVISION) (AS
REVISED)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 2023 (AS
REVISED)**

AND IN THE MATTER OF LIFESTYLE CHINA GROUP LIMITED

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (“**Order**”) dated 22 January 2025 made in the above matter, the Grand Court of the Cayman Islands (“**Grand Court**”) has directed a meeting (“**Court Meeting**”) of the Scheme Shareholders to be convened and held for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (“**Scheme**”) proposed to be made between Lifestyle China Group Limited (“**Company**”) and the Scheme Shareholders. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.

The Court Meeting will be held at 10:30 a.m. on Thursday, 20 February 2025 (Hong Kong time) at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong at which all Scheme Shareholders are requested to attend either in person, by a fully authorised representative (if a corporation) or by proxy.

A copy of the Scheme and a copy of the explanatory memorandum (“**Explanatory Memorandum**”) explaining the effect of the Scheme are incorporated in the composite scheme document, of which this notice forms a part (“**Scheme Document**”), has been made available to the Shareholders. A copy of the Scheme Document may also be obtained by any Shareholder from the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. The Scheme Document is also published on the website of the Stock Exchange at www.hkexnews.hk and on the Company’s website at <https://www.lifestylechina.com.hk/>.

At the Court Meeting, the following resolution will be proposed:

“THAT the Scheme of Arrangement in the form contained in the composite scheme document dated 28 January 2025, a print of which has been submitted to this Court Meeting and, for the purpose of identification, signed by the chairman of this Court Meeting in its original form or with such modifications, additions or conditions as may be approved or imposed by the Cayman Islands Grand Court be and is hereby approved.”

Any Scheme Shareholder as at the Meeting Record Date may attend and vote in person at the Court Meeting or he/she/it may appoint another person (who must be an individual), whether a member of the Company or not, as his/her/its proxy to attend and vote in his/her/its stead. Any Scheme Shareholder who is the holder of two or more Scheme Shares may appoint more than one proxy to represent him/her/it. If more than one proxy is appointed, the number of Scheme Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy. A **PINK** form of proxy for use at the Court Meeting is enclosed with the Scheme Document. Such form is also published on the website of the Stock Exchange at www.hkexnews.hk and on the Company’s website at <https://www.lifestylechina.com.hk/>.

In the case of joint holders of a Scheme Share, any one of such joint holders may vote at the Court Meeting, either in person or by proxy, in respect of such Scheme Share as if he/she was solely entitled thereto. However, if more than one such joint holders be present at the Court Meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

It is requested that the **PINK** form of proxy in respect of the Court Meeting, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible, but in any event no less than 48 hours before the time appointed for the holding of the Court Meeting or any adjournment thereof. The **PINK** form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

Completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof, and in such event, the relevant form of proxy will be revoked by operation of law.

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Monday, 17 February 2025 to Thursday, 20 February 2025 (Hong Kong time) (both days inclusive), and during such period, no transfer of the Shares will be effected. In order to qualify to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar,

Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 14 February 2025 (Hong Kong time).

By the Order, the Grand Court has appointed any one of the independent non-executive directors of the Company, or failing them, any other person who is a director or officer of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Grand Court within 7 days of the Court Meeting. The results of the Court Meeting will be the subject of a public announcement to be published on the Stock Exchange.

The Scheme is subject to the subsequent sanction of the Grand Court.

By order of the Grand Court
Lifestyle China Group Limited

Dated 28 January 2025

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

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

Notes:

- (1) Voting at the Court Meeting will be taken by way of poll as required under the Listing Rules and the Takeovers Code.
- (2) If a tropical cyclone warning signal No. 8 or above or the “extreme conditions” warning as announced by the Hong Kong government or a black rainstorm warning signal is in force at any time after 8:00 a.m. (Hong Kong time) on the date of the Court Meeting, the Court Meeting will be adjourned in accordance with the articles of association of the Company. The Company will post an announcement on the respective websites of the Stock Exchange at www.hkexnews.hk and the Company at www.lifestylechina.com.hk to notify the Shareholders of the date, time and venue of the rescheduled Court Meeting.
- (3) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him or her.
- (4) In order to be valid, the PINK form of proxy for use at the Court Meeting must be duly completed and signed in accordance with the instructions printed thereon and deposited together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 10:30 a.m. on Tuesday, 18 February 2025 or not less than 48 hours before the time for holding any adjournment of the

Meeting (as the case may be). The PINK form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the Court Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

- (5) For the purpose of determining the entitlement to attend and vote at the Court Meeting, the register of members of the Company will be closed from Monday, 17 February 2025 to Thursday, 20 February 2025 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the Court Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 14 February 2025.
- (6) In case of joint holders of a Share, any one of such joint holders may vote, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the Court Meeting personally or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date hereof, the Board comprises the following members:

Executive Directors:	Mr. Lau Luen Hung, Thomas <i>(Chairman and Chief Executive Officer)</i>
	Mr. Lau Kam Sen
	Ms. Lau Kam Shim
Non-executive Director:	Ms. Chan Chor Ling, Amy
Independent non-executive Directors:	Ms. Cheung Mei Han
	Mr. Cheung Yuet Man, Raymond
	Mr. Lam Kwong Wai

LIFESTYLE CHINA GROUP LIMITED**利福中國集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**General Meeting**”) of Lifestyle China Group Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 20 February 2025 at Multi-function Room, 18/F, Tower I, The Twins, 12 Concorde Road, Kai Tak, Kowloon, Hong Kong (or as soon as practicable after the conclusion or the adjournment of the Court Meeting (as defined in the Scheme Document (as defined below)) for the purpose of considering and, if thought fit, passing the resolutions set out below. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the scheme document of the Company dated 28 January 2025 (the “**Scheme Document**”) of which this notice forms part.

SPECIAL RESOLUTION**“THAT:**

(a) for the purpose of giving effect to the scheme of arrangement between the Company and the Scheme Shareholders (as defined in the Scheme Document) (“**Scheme**”) as set out in the composite scheme document dated 28 January 2025 (“**Scheme Document**”) on the Effective Date (as defined in the Scheme Document), any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme Document) be and is hereby approved; and (b) contemporaneously with (a) above the maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme to the Offeror (as defined in the Scheme Document) be and is hereby approved; and (c) any one director of the Company be and is hereby authorised to do all acts and things and/or execute all such documents as considered by them to be necessary for or desirable in connection with the implementation of the Amended Proposal (as defined in the Scheme Document) and the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange (as defined in the

Scheme Document) for the withdrawal of the listing of the Shares on the Stock Exchange, subject to the Scheme taking effect; (ii) the allotment and issue of the Shares to the Offeror referred to above; and (iii) the giving, on behalf of the Company, of any required consent to any modification of, or addition to, the Scheme which the Grand Court of the Cayman Islands may see fit to impose.”

By order of the Board
Lifestyle China Group Limited
Poon Fuk Chuen
Company Secretary

Hong Kong, 28 January 2025

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

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

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules and the memorandum and articles of association of the Company.
2. If a tropical cyclone warning signal No. 8 or above or the “extreme conditions” warning as announced by the Hong Kong government or a black rainstorm warning signal is in force at any time after 8:00 a.m. (Hong Kong time) on the date of the General Meeting, the General Meeting will be adjourned in accordance with the articles of association of the Company. The Company will post an announcement on the respective websites of the Stock Exchange at www.hkexnews.hk and the Company at www.lifestylechina.com.hk to notify the Shareholders of the date, time and venue of the rescheduled General Meeting.
3. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him or her.
4. In order to be valid, the **WHITE** form of proxy for use at the General Meeting must be duly completed and signed in accordance with the instructions printed thereon and deposited together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 11:00 a.m. on Tuesday, 18 February 2025 or not less than 48 hours before the time for holding any adjournment of the General Meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the General Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. For the purpose of determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from Monday, 17 February 2025 to Thursday, 20 February 2025 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 14 February 2025.
6. All resolutions put to vote at the General Meeting will be decided by way of poll as required by the Listing Rules and the Takeovers Code.
7. In case of joint holders of a Share, any one of such joint holders may vote, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the General Meeting of the Company personally or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date hereof, the Board comprises the following members:

Executive Directors:	Mr. Lau Luen Hung, Thomas (<i>Chairman and Chief Executive Officer</i>)
	Mr. Lau Kam Sen
	Ms. Lau Kam Shim
Non-executive Director:	Ms. Chan Chor Ling, Amy
Independent non-executive Directors:	Ms. Cheung Mei Han
	Mr. Cheung Yuet Man, Raymond
	Mr. Lam Kwong Wai