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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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You are advised to exercise caution in relation to the Proposal. **If you are in doubt** as to the content of this Scheme Document, any aspect of the Proposal or any action to be taken, you should consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

This Scheme Document does not constitute an offer to sell or an invitation or solicitation of an offer to acquire, purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. This Scheme Document does not constitute a prospectus or a prospectus equivalent document.

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

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

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**(1) PROPOSED PRIVATISATION OF GUOCO GROUP LIMITED  
BY GUOLINE OVERSEAS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 99 OF THE COMPANIES ACT)**

**(2) PROPOSED SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN-SPECIE  
BY GUOCO GROUP LIMITED OF ORDINARY SHARES  
IN HONG LEONG FINANCIAL GROUP BERHAD  
AND**

**(3) PROPOSED WITHDRAWAL OF LISTING  
BY GUOCO GROUP LIMITED**

**Joint Financial Advisers to the Offeror**

**EVERCORE**



**PLATINUM**  
Securities

**Evercore Asia Limited Platinum Securities Company Limited**  
**Independent Financial Adviser to the Independent Board Committee of Guoco**



**SOMERLEY CAPITAL LIMITED**

**Somerley Capital Limited**

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Unless the context requires otherwise, capitalised terms used in this Scheme Document are defined in “Part I – Definitions” of this Scheme Document.

A letter from the Guoco Board is set out in “Part V – Letter from the Guoco Board” of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Scheme Shareholders in connection with the Proposal is set out in “Part VI – Letter from the Independent Board Committee” of this Scheme Document. A letter from Somerley, being the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in connection with the Proposal is set out in “Part VII – Letter from Somerley” of this Scheme Document. An Explanatory Statement regarding the Scheme is set out in “Part VIII – Explanatory Statement” of this Scheme Document.

The actions to be taken by the Shareholders are set out in “Part III – Important notice and actions to be taken” of this Scheme Document.

Notices convening the Court Meeting to be held at 10:00 a.m. on Thursday, 1 November 2018 and the Guoco SGM to be held at 10:30 a.m. on Thursday, 1 November 2018 (or, in the case of the Guoco SGM, immediately after the conclusion or the adjournment of the Court Meeting) are set out in “Appendix V – Notice of Court Meeting” and “Appendix VI – Notice of Guoco SGM” to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the Guoco SGM or any adjournment thereof, 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 Guoco SGM, in accordance with the instructions printed on them, and to lodge them at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under “Part III – Important notice and actions to be taken” of this Scheme Document. If the **pink** form of proxy is not so lodged, it may also be handed to the Chairman at the Court Meeting before the taking of the poll who shall have absolute discretion as to whether or not to accept it.

This Scheme Document is jointly issued by GuoLine Overseas Limited and Guoco Group Limited.

**In case of any inconsistency, the English language texts of this Scheme Document and the enclosed forms of proxy and Form of Election shall prevail over their respective Chinese texts for the purpose of interpretation.**

10 October 2018

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## PART I – DEFINITIONS

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

“2018 Annual Report”	the annual report of Guoco for the financial year ended 30 June 2018
“2018 Financial Statements”	the audited consolidated financial statements of the Guoco Group for the financial year ended 30 June 2018
“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“AFCW”	Asian Financial Common Wealth (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned indirect subsidiary of Guoco
“Announcement”	the announcement dated 29 June 2018 and jointly issued by the Offeror and Guoco in relation to the Proposal
“Announcement Date”	29 June 2018, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner(s)”	any beneficial owner(s) of the Shares whose Shares are registered in the name of a Registered Owner(s)
“business day”	has the meaning ascribed to it under the Takeovers Code
“Cash Alternative”	the election alternative under the Distribution which allows the Shareholders to receive their entitlements under the Distribution in cash form, as described in “Part VIII – Explanatory Statement” of this Scheme Document
“Cash Alternative Amount”	the cash amount per Share equal to 0.8847 HLF Share multiplied by the VWAP Price
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## PART I – DEFINITIONS

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“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant or general clearing participant, a custodian participant or an investor participant, who may be an individual, joint individuals or a corporation
“Chairman”	the chairman of the Court Meeting or the Guoco SGM, as the case may be
“CL”	Chaghese Limited, a company incorporated in the Cayman Islands with limited liability and a company wholly-owned by Mr. Quek Leng Chan
“Committed Shareholders”	Elliott International, L.P. and The Liverpool Limited Partnership
“Committed Shares”	those Shares held by the Committed Shareholders
“Companies Act”	the Companies Act 1981 of Bermuda
“Concert Party(ies)”	those persons acting in concert with the Offeror, including AFCW, Mr. Quek Leng Chan, Mr. Kwek Leng Hai, Mr. Kwek Leng San, Mr. Quek Leng Chye and Mr. Tang Hong Cheong
“Court”	the Supreme Court of Bermuda
“Court Hearing”	the hearing of the petition by the Court to sanction the Scheme
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification(s)) will be voted upon, a notice of which is set out in “Appendix V – Notice of Court Meeting” to this Scheme Document, or any adjournment thereof
“Disclosure Period”	the period beginning from the date which is six months prior to the commencement of the Offer Period (being 29 December 2017) and ending with the Latest Practicable Date, both dates inclusive
“Distribution”	has the meaning given to that term in “Part V – Letter from the Guoco Board” of this Scheme Document
“Distribution Conditions”	the conditions of the Distribution, as set out in “Part VIII – Explanatory Statement” of this Scheme Document

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## PART I – DEFINITIONS

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“Distribution Exchange Rate”	the buying rate of HK\$ from RM as announced by the Hong Kong Association of Banks ( <a href="http://www.hkab.org.hk">www.hkab.org.hk</a> ) at 9:00 a.m. on the final date of the VWAP Period
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration
“Election Time”	4:30 p.m. on Tuesday, 6 November 2018 (or such later date as may be notified by way of joint announcement by the Offeror and Guoco on the website of the Stock Exchange)
“Eligible CDS Account”	valid account to hold and trade securities listed on Bursa Malaysia Securities Berhad
“Entitlement Record Date”	Thursday, 8 November 2018, or such other date as shall be announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal
“Evercore”	Evercore Asia Limited, a licensed corporation to conduct Type 1 ( <i>Dealing in securities</i> ) and Type 6 ( <i>Advising on corporate finance</i> ) regulated activities under the SFO and joint financial adviser to the Offeror
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Explanatory Statement”	the explanatory statement set out in “Part VIII – Explanatory Statement” of this Scheme Document and issued in compliance with section 100 of the Companies Act
“Form of Election”	the <b>blue</b> form of election in respect of the Cash Alternative and/or the Scrip Alternative enclosed with this Scheme Document
“GCL”	GuoLine Capital Limited, a fellow subsidiary of Parent, a company incorporated in Bermuda with limited liability

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## PART I – DEFINITIONS

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“GIL”	GuoLine International Limited, a fellow subsidiary of Parent, a company incorporated in Bermuda with limited liability
“Guoco”	Guoco Group Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are currently listed on the Stock Exchange
“Guoco Assets”	Guoco Assets Sdn Bhd, a wholly-owned subsidiary of Guoco incorporated in Malaysia with limited liability and under member’s voluntary liquidation
“Guoco Board”	the board of directors of Guoco from time to time
“Guoco Director(s)”	the director(s) of Guoco from time to time
“Guoco Group”	Guoco and its subsidiaries from time to time
“Guoco SGM”	a special general meeting of the Shareholders to be held at 10:30 a.m. on Thursday, 1 November 2018 (or immediately after the Court Meeting is concluded or adjourned) for the purposes of considering and, if thought fit, approving all necessary resolutions for the implementation of the Scheme and the approval of the Distribution, a notice of which is set out in “Appendix VI – Notice of Guoco SGM” to this Scheme Document, or any adjournment thereof
“HKSCC”	Hong Kong Securities Clearing Company Limited, a company incorporated in Hong Kong with limited liability
“HKSCC Nominees”	HKSCC Nominees Limited (香港中央結算(代理人)有限公司), a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HLFG”	Hong Leong Financial Group Berhad, a company incorporated in Malaysia with limited liability, whose shares are currently listed on the Official List of Bursa Malaysia Securities Berhad
“HLFG Share(s)”	ordinary share(s) in the issued share capital of HLFG



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## PART I – DEFINITIONS

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“HLFG Shares Undertaking”	the undertaking by Guoco dated 29 June 2018 not to (and will procure that its subsidiaries do not), unless with the prior consent of the Offeror, dispose of any HLFSG Shares other than as part of the Distribution until the Scheme has become binding and effective or is aborted, lapses or is withdrawn in accordance with its terms
“HLH”	HL Holdings Sdn Bhd, an associated company of an associated company of the Offeror, a company incorporated in Malaysia with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Leong”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia with limited liability
“Hong Leong Directors”	the directors of Hong Leong from time to time
“Independent Board Committee”	the independent committee of the Guoco Board established pursuant to Rule 2.1 of the Takeovers Code to advise the Scheme Shareholders in relation to the Proposal, comprising Mr. Volker Stoeckel, Mr. Roderic N.A. Sage and Mr. David Michael Norman
“Independent Scheme Shareholders”	all Shareholders, other than the Offeror and the Concert Parties
“Irrevocable Undertakings”	the irrevocable undertakings given by each of the Committed Shareholders, each dated 29 June 2018, in respect of the Committed Shares in favour of the Offeror
“Last Trading Day”	29 June 2018, being the last full trading day prior to the date of the publication of the Announcement
“Latest Practicable Date”	5 October 2018, being the latest practicable date prior to the despatch of this Scheme Document 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”	31 January 2019 or such later date as may be proposed by the Offeror and permitted by the Executive
“Malaysian Trading Day”	a trading day on Bursa Malaysia Securities Berhad

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## PART I – DEFINITIONS

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“Meeting Record Date”	Thursday, 1 November 2018, or such other date as shall be 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 Guoco SGM
“Non-Qualifying Shareholder(s)”	those overseas Shareholder(s) or Beneficial Owner(s) in respect of whom the Guoco Directors, based on enquiries made by and legal advice obtained by Guoco, consider it necessary or expedient not to offer the Scrip Alternative to such Shareholder(s) or Beneficial Owner(s) either because of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such jurisdiction
“Offer Period”	the period from 29 June 2018 to the Effective Date, both dates inclusive
“Offeror”	GuoLine Overseas Limited, an exempted company incorporated in Bermuda with limited liability and a wholly-owned indirect subsidiary of Hong Leong
“Offeror Board”	the board of directors of the Offeror from time to time
“Offeror Director(s)”	the director(s) of the Offeror from time to time
“Offeror Group”	the Offeror and its subsidiaries from time to time
“Parent”	GuoLine Capital Assets Limited, the parent of the Offeror, a company incorporated in Jersey, Channel Islands with limited liability
“Platinum”	Platinum Securities Company Limited, a licensed corporation to conduct Type 1 ( <i>Dealing in securities</i> ) and Type 6 ( <i>Advising on corporate finance</i> ) regulated activities under the SFO and joint financial adviser to the Offeror
“PRC”	the People’s Republic of China, and for the purpose of this Scheme Document only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposal”	the proposal to privatise Guoco, comprising both the Scheme and the Distribution, as set out in this Scheme Document

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## PART I – DEFINITIONS

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“Register”	the register of members of Guoco
“Registered Owner”	in respect of a Beneficial Owner, any nominee, trustee, depository or any other authorised custodian or third party whose name is entered in the Register as the holder of the Shares in which such Beneficial Owner is beneficially interested
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, stock exchanges, courts or institutions, including but not limited to the Court and the Registrar of Companies in Bermuda
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“Scheme”	has the meaning given to that term in “Part V – Letter from the Guoco Board” of this Scheme Document
“Scheme Conditions”	the conditions of the Scheme, as set out in “Part VIII – Explanatory Statement” of this Scheme Document
“Scheme Consideration”	the cash amount per Scheme Share which the Scheme Shareholders will receive for the cancellation of their Scheme Shares under the Scheme, which is equal to the Total Price less the Cash Alternative Amount
“Scheme Document”	this composite document to be despatched to the Shareholders containing details of the Scheme and the Distribution
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“Scheme Share(s)”	the Share(s) in issue on the Entitlement Record Date other than those held by the Offeror
“Scrip Alternative”	the election alternative under the Distribution which allows the Shareholders to receive their entitlements under the Distribution in scrip form, as described in “Part VIII – Explanatory Statement” of this Scheme Document
“Scrip Alternative Shares”	0.8847 HLF Share for every one Share, rounded down to the nearest whole number
“SFC”	the Securities and Futures Commission of Hong Kong

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## PART I – DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.50 each in the issued share capital of Guoco
“Share Registrar”	Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being Guoco’s branch share registrar and transfer office in Hong Kong
“Shareholder(s)”	holder(s) of Share(s) entered in the Register
“Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Proposal and a corporation licensed by the SFC to conduct Type 1 ( <i>Dealing in securities</i> ) and Type 6 ( <i>Advising on corporate finance</i> ) regulated activities under the SFO
“Stamp Duty Ordinance”	the Stamp Duty Ordinance (Cap. 117, Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Total Price”	HK\$135 per Scheme Share (being the Scheme Consideration plus the Cash Alternative Amount)
“UK”	the United Kingdom of Great Britain and Northern Ireland
“U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“US\$”	U.S. dollars, the lawful currency of the U.S.

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## PART I – DEFINITIONS

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“VWAP Period”	the 14 Malaysian Trading Day period ending on the date that is 16 days (or, if such date is not a Malaysian Trading Day, the first day preceding such date which is a Malaysian Trading Day) prior to the Court Meeting, being 27 September 2018 to 16 October 2018 (both dates inclusive)
“VWAP Price”	the volume weighted average closing price of the HLFM Shares throughout the VWAP Period, converted to HK\$ using the Distribution Exchange Rate
“%”	per cent. or percentage

*All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court Hearing and the Effective Date, which are the relevant times and dates in Bermuda. For reference only, Bermuda time is 11 hours behind Hong Kong time as at the date of this Scheme Document.*

*In this Scheme Document, unless the context otherwise requires or specifically states otherwise,*

- (a) the singular includes the plural and vice versa;*
- (b) one gender includes the other genders; and*
- (c) references to individuals include companies and other corporations and vice versa.*

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## PART II – QUESTIONS AND ANSWERS

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

**However, you are encouraged to read this entire Scheme Document, including the Appendices, carefully.**

**1. What is the purpose of this Scheme Document?**

- The purpose of this Scheme Document is to provide you with: (a) information on the Scheme, the Distribution, the Cash Alternative, the Scrip Alternative and the expected timetable of the Proposal; (b) notice of the Court Meeting and the Guoco SGM; (c) the **blue** Form of Election; and (d) the **pink** and **white** proxy forms in relation to the Court Meeting and the Guoco SGM.

**2. What is the Court Meeting, the Guoco SGM and the Court Hearing?**

- The Court Meeting is for the Scheme Shareholders to consider and, if thought fit, approve the Scheme.
- After the Court Meeting has concluded or been adjourned, the Guoco SGM or any adjournment thereof will be held for the Shareholders to consider and, if thought fit, approve all necessary resolutions for the implementation of the Scheme and the approval of the Distribution.
- If the requisite approvals are obtained at the Court Meeting and all necessary resolutions are passed at the Guoco SGM, the Court Hearing will be held for the Court to hear the petition to sanction the Scheme.

**3. What is the location, date and time of the Court Meeting and the Guoco SGM?**

- The Court Meeting will be held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 1 November 2018 at 10:00 a.m.
- The Guoco SGM will be held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 1 November 2018 at 10:30 a.m. (or immediately after the Court Meeting is concluded or adjourned).

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

- You are strongly encouraged:
  - (a) in the case of a Scheme Shareholder or a Shareholder – to exercise your right to vote at the Court Meeting and/or the Guoco SGM; or
  - (b) in the case of a Beneficial Owner – to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the Guoco SGM.

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## PART II – QUESTIONS AND ANSWERS

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- The actions you should take are summarised in “Part III – Important notice and actions to be taken” and the section headed “24. Summary of actions to be taken” in “Part VIII – Explanatory Statement” of this Scheme Document. You should read them carefully.

### 5. What is the Proposal?

- The Proposal involves the proposed privatisation of Guoco by way of the Scheme and, subject to the Scheme having become binding and effective in accordance with its terms, the payment by Guoco of a special dividend (by way of a distribution in-specie) of up to 291,117,141 ordinary shares in HLFG (a company in which Guoco has a 25.37% shareholding interest) to the Shareholders whose names appear on the Register on the Entitlement Record Date.
- Upon completion of the Proposal, the Offeror will own 100% of the Shares. Guoco will, as soon as practicable thereafter, apply for the withdrawal of the listing of the Shares on the Stock Exchange.

### 6. What is the Scheme Consideration and the Distribution?

- Under the Proposal, the Scheme Shareholders will be able to receive the Scheme Consideration together with their entitlements under the Distribution.
- Each Shareholder, other than a Non-Qualifying Shareholder, will be entitled to make an irrevocable election to receive:
  - (a) a combination of the Cash Alternative and the Scrip Alternative for his, her or its Shares;
  - (b) the Cash Alternative for all of such Shares; or
  - (c) the Scrip Alternative for all of such Shares.

### 7. What is the Cash Alternative and the Scrip Alternative?

- Those Scheme Shareholders validly electing to receive the *Cash Alternative* for all of their Shares will be entitled to receive a Total Price of HK\$135 per Scheme Share comprising: (a) the Scheme Consideration; and (b) the Cash Alternative Amount.
- Those Scheme Shareholders, other than the Non-Qualifying Shareholders, validly electing to receive the *Scrip Alternative* for all of their Shares will be entitled to receive: (a) the Scheme Consideration; and (b) the Scrip Alternative Shares.
- The amount of the Scheme Consideration to be received by each Scheme Shareholder will be the same regardless of whether a Scheme Shareholder elects to receive the Cash Alternative and/or the Scrip Alternative.
- In the event that a Scheme Shareholder does not elect to receive his, her or its entitlement under the Cash Alternative and/or the Scrip Alternative, or if such election is unclear or invalid, such Scheme Shareholder will be deemed to have elected to receive his, her or its entitlement under the Cash Alternative, subject to the Scheme and the Distribution having become binding and effective in accordance with their respective terms.

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## PART II – QUESTIONS AND ANSWERS

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**8. I am an overseas Shareholder. What should I do?**

- All overseas Shareholders are advised to read this Scheme Document in its entirety and, in particular, the section headed “21. Overseas Shareholders” in “Part VIII – Explanatory Statement” of this Scheme Document.

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

- The Independent Board Committee, having considered the terms of the Proposal and taken into account the opinion of Somerley and, in particular, the factors, reasons and recommendations set out in “Part VII – Letter from Somerley” of this Scheme Document, considers that as far as the Scheme Shareholders are concerned, the terms of the Proposal are fair and reasonable and accordingly, the Independent Board Committee recommends the Scheme Shareholders to vote:
  - (a) at the Court Meeting, in favour of the Scheme; and
  - (b) at the Guoco SGM, in favour of the relevant resolutions to approve the cancellation of the Scheme Shares, the simultaneous issue to the Offeror of the same number of Shares, credited as fully paid, as the Scheme Shares cancelled and the Distribution.
- Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. The text of the letter of advice from Somerley containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “Part VII — Letter from Somerley” of this Scheme Document. We would advise you to read such letter of advice carefully before you take any action in respect of the Proposal.

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

- If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the hotline of the Share Registrar, Computershare Hong Kong Investor Services Limited, at +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.
- The hotline cannot and will not provide any advice on the merits of the Proposal, the Scheme or the Distribution or give any financial or legal advice. If you are in doubt as to any aspect of this Scheme Document or action to be taken, you should consult a licensed securities dealer, registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser.
- You may also visit Guoco’s website at [www.guoco.com](http://www.guoco.com) and/or direct your questions to Guoco by the following ways:–

by phone: +852 2283 8833 (between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)  
by fax: +852 2285 3233  
by email: [comsec@guoco.com](mailto:comsec@guoco.com)



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## PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### 1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

#### 1.1 Entitlements of Scheme Shareholders and Shareholders to attend and vote at Court Meeting and Guoco SGM

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 Guoco SGM, the Register will be closed from Saturday, 27 October 2018 to Thursday, 1 November 2018 (both days inclusive) (or such other date as the Shareholders may be notified by announcement). During such period, no transfer of Shares will be effected.

In order to qualify to vote at the Court Meeting and the Guoco SGM, all transfers accompanied by the relevant share certificates must be lodged at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 26 October 2018 (or such other date as the Shareholders may be notified by announcement).

#### 1.2 Entitlements of Scheme Shareholders and Shareholders to receive Scheme Consideration and Distribution

Assuming that the Entitlement Record Date falls on Thursday, 8 November 2018, it is proposed that the Register will be closed from Wednesday, 7 November 2018 to Wednesday, 14 November 2018 (both days inclusive) (or such other date as the Shareholders may be notified by announcement) in order to determine the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal. During such period, no transfer of Shares will be effected.

In order to qualify for such entitlements to receive the Scheme Consideration and the Distribution under the Proposal, all transfers accompanied by the relevant share certificates must be lodged at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 6 November 2018 (or such other date as the Shareholders may be notified by announcement).

#### 1.3 Forms of proxy

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the Guoco SGM are enclosed with copies of this Scheme Document sent to the Registered Owners. Any subsequent purchasers of the Shares will need to obtain the relevant form(s) of proxy from the transferors. Alternatively, copies of the forms of proxy can be: (a) obtained from the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong; or (b) downloaded from the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or Guoco at [www.guoco.com](http://www.guoco.com).

Whether or not you are able to attend the Court Meeting and/or the Guoco SGM in person:

- (a) if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting; and
- (b) if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the Guoco SGM,

in accordance with the instructions printed on them, and to lodge them at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

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## PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### In order to be valid:

- (a) the **pink** form of proxy for use at the Court Meeting should be lodged as soon as possible and in any event not later than 10:00 a.m. on Tuesday, 30 October 2018 (or such other date as the Scheme Shareholders may be notified by announcement) or be handed to the Chairman at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept it); and
- (b) the **white** form of proxy for use at the Guoco SGM should be lodged as soon as possible and in any event not later than 10:30 a.m. on Tuesday, 30 October 2018 (or such other date as the Shareholders may be notified by announcement).

The completion and return of the relevant form(s) of proxy for the Court Meeting and/or the Guoco SGM will not preclude a Scheme Shareholder or a Shareholder, respectively, from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy will be deemed to have been irrevocably revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the Guoco SGM, you will still be bound by the outcome of the Court Meeting and the Guoco SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the Shareholders (as the case may be). We, therefore, strongly urge you to attend and vote at the Court Meeting and the Guoco SGM in person or by proxy. Voting at the Court Meeting and the Guoco SGM will be taken by way of poll.

### 1.4 Form of Election

A **blue** Form of Election is enclosed with copies of this Scheme Document sent to the Registered Owners. Any subsequent purchasers of the Shares will need to obtain the Form of Election from the transferors. Alternatively, copies of the Form of Election can be: (a) obtained from the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; or (b) downloaded from the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or Guoco at [www.guoco.com](http://www.guoco.com).

Each Shareholder, other than a Non-Qualifying Shareholder, will be entitled to make an irrevocable election to receive:

- (a) a combination of the Cash Alternative and the Scrip Alternative for his, her or its Shares;
- (b) the Cash Alternative for such Shares; or
- (c) the Scrip Alternative for such Shares,

by lodging a Form of Election, duly completed and signed in accordance with the instructions appearing on it, at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the Election Time, **being 4:30 p.m. on Tuesday, 6 November 2018 (or such later date as may be notified by way of joint announcement by the Offeror and Guoco on the website of the Stock Exchange)**.

In the Form of Election, should you wish to elect to receive the Scrip Alternative for some or all of your Shares, you are required to specify, among other things, details of your Eligible CDS Account which you will use to receive the Scrip Alternative Shares. You must have an Eligible CDS Account on or before the Election Time in order to receive the Scrip Alternative Shares.

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### **PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN**

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**You are free to consult, contact or engage with any stockbrokers, banks or registered institutions in Malaysia of your choice regarding the opening of an Eligible CDS Account. You are advised to contact them as soon as possible and allow sufficient time (at least three weeks) to open an Eligible CDS Account and complete any necessary know-your-customer processes (if required) should you wish to elect for the Scrip Alternative for some or all of your Shares.**

**You may wish to find out if your stockbrokers, banks or registered institutions may have services available to facilitate the receipt and holding of the Scrip Alternative Shares through arrangements with any stockbrokers, banks or registered institutions in Malaysia which have Eligible CDS Accounts. You must inform such entity of your intention to elect for and receive the Scrip Alternative Shares as soon as possible to enable it to provide you with the information necessary to complete the Form of Election and to make appropriate arrangements for the receipt of the Scrip Alternative Shares to your Eligible CDS Account maintained with such entity.**

**For the avoidance of doubt, the Form of Election is not for use (as a form of proxy or otherwise) at the Court Meeting and the Guoco SGM. The Form of Election is for the Shareholders to elect for the Cash Alternative and/or the Scrip Alternative should they wish to do so. This election may be made at any time up to the Election Time but, once made, shall be irrevocable unless with Guoco's express consent in writing. However, this election is subject to the Scheme and the Distribution having become binding and effective in accordance with their respective terms.**

No acknowledgement of receipt of any Form of Election will be given to you. A Form of Election which is completed and delivered by you shall be irrevocable and incapable of being amended, withdrawn or revoked unless Guoco expressly consents in writing to any such amendment, withdrawal or revocation. Guoco shall have the right to reject any or all Forms of Election that it determines to be not duly completed or executed in accordance with the instructions on them or containing inaccurate, incorrect, invalid or incomplete information or illegible writing or otherwise not valid in accordance with the terms set out in this Scheme Document (including but not limited to the failure to provide an Eligible CDS Account or to provide complete and correct information of such Eligible CDS Account). None of the Offeror, Guoco or the Share Registrar is obliged to give notice to any Shareholder of any such rejection and each of them hereby disclaims any and all liabilities arising from not giving such notification.

In addition, Guoco shall also have the right to treat any Form of Election that has not been completed in accordance with the instructions on it, or has otherwise been completed incorrectly, as being valid, provided that Guoco in its absolute discretion considers the omissions or errors to be immaterial. None of the Offeror, Guoco or the Share Registrar is obliged to give notice to any Shareholder of any such defects or irregularities and each of them hereby disclaims any and all liabilities arising from not giving such notification or from Guoco exercising or not exercising its discretion as aforementioned.

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## PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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Assuming that the Scheme and the Distribution become binding and effective in accordance with their respective terms, you will receive:

- (a) **the Cash Alternative (but not the Scrip Alternative) for all of your Shares if you have:**
  - (i) **not returned a Form of Election as described above by the Election Time; or**
  - (ii) **returned a Form of Election which is not duly completed or executed in accordance with the instructions on it or contains inaccurate, incorrect, invalid or incomplete information or illegible writing or is otherwise not valid in accordance with the terms set out in this Scheme Document (including but not limited to the failure to provide an Eligible CDS Account or to provide complete and correct information of such Eligible CDS Account), save for the case mentioned in (b) below; or**
- (b) **the Scrip Alternative (but not the Cash Alternative) for all of your Shares, if you have elected for a combination of the Cash Alternative and the Scrip Alternative but, in the Form of Election, you have:**
  - (i) **specified a number of Shares for such election of the Scrip Alternative which is greater than the number of all of your Shares; or**
  - (ii) **not specified a number of Shares for such election of the Scrip Alternative.**

### 1.5 Announcement of results of Court Meeting and Guoco SGM

Guoco will make an announcement in relation to the results of the Court Meeting and the Guoco SGM on Thursday, 1 November 2018. If all the resolutions are passed at those meetings, Guoco will make further announcements of the results of the Court Hearing and, if the Scheme is sanctioned, the Entitlement Record Date, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange.

### 1.6 Announcement of Scheme Consideration and Cash Alternative Amount

The actual Scheme Consideration and the actual Cash Alternative Amount will be determined based on the actual VWAP Price per HLF Share and will, therefore, only be known at the end of the VWAP Period. The Scheme Shareholders will be notified by announcement as soon as possible of the actual Scheme Consideration and the actual Cash Alternative Amount once known, which is expected to be Tuesday, 16 October 2018 (or such other date as the Scheme Shareholders and the Shareholders may be notified by announcement).

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## PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### 2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER AND NOT DEPOSITED IN CCASS

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

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner, you should contact such Registered Owner to give instructions to, and/or to make arrangements with such Registered Owner as to:

- (a) the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the Guoco SGM; and
- (b) the election of the Cash Alternative and/or the Scrip Alternative.

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

- (a) contact the Registered Owner directly to make the appropriate arrangements with such Registered Owner to enable you to attend and vote at the Court Meeting and/or the Guoco SGM. For such purpose, the Registered Owner may appoint you as his, her or its proxy; or
- (b) arrange for some or all of your 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 Guoco SGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the Guoco SGM must be in accordance with all relevant provisions in the order of the Court (as described in this Scheme Document) pursuant to which the Court Meeting was convened and the bye-laws of Guoco.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy must be completed and signed by such Registered Owner and must be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in the section headed “1.3 Forms of proxy” of this Part III.

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

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

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## PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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lodgement of the forms of proxy in respect of the Court Meeting and/or the Guoco SGM and the Form of Election, any such Beneficial Owner should comply with the requirements of such Registered Owner.

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

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a person admitted to participate in CCASS as 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 instructions for voting and the election of the Cash Alternative and/or the Scrip Alternative to be given to such persons; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the Guoco SGM and elect for the Cash Alternative and/or the Scrip Alternative as a registered Shareholder in respect of those Shares.

You can become a Shareholder in your own name and be entered in the Register by withdrawing some or all of your Shares from CCASS and becoming a Registered Owner of such Shares. For the withdrawal of your Shares from CCASS and the registration of your Shares in the Register, you will be required to pay to CCASS, among other things, stamp duty on each transfer instrument and, if your Shares 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 on the detailed procedures and in advance of: (a) the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and/or the Guoco SGM; and (b) the latest time for lodging the Form of Election. This is in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and have the Shares registered in your name in the Register.

HKSCC Nominees will be counted as one person or member of the Company at the Court Meeting for the purposes of ascertaining whether or not the requirement that a “majority in number” of the Scheme Shareholders approving the Scheme under section 99(2) of the Companies Act has been satisfied. For the purposes of calculating the “majority in number” of the Scheme Shareholders, HKSCC Nominees will be entitled to be counted or to vote in favour of or against the Scheme in accordance with the majority of instructions received from CCASS Participants.

The procedure for voting and the election of the Cash Alternative and/or the Scrip Alternative by investor participants and the other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

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## PART III – IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

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### 4. EXERCISE YOUR RIGHT TO VOTE

In accordance with the direction from the Court, for the purposes of calculating the “majority in number” at the Court Meeting, HKSCC Nominees will be counted as one vote which will be exercised for or against the Scheme according to the majority of voting instructions received. Each Registered Owner will be counted as one vote for the purposes of calculating the “majority in number” at the Court Meeting.

Only Scheme Shareholders entered in the Register on the Meeting Record Date will be counted for the purposes of ascertaining whether or not a majority in number of the Scheme Shareholders have approved the Scheme pursuant to section 99 of the Companies Act.

If you are a Scheme Shareholder or a Shareholder or a Beneficial Owner whose Shares are held in the name of a Registered Owner, you are strongly encouraged:

- (a) in the case of a Scheme Shareholder or a Shareholder – to exercise your right to vote at the Court Meeting and/or the Guoco SGM; or
- (b) in the case of a Beneficial Owner – to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the Guoco SGM.

If you keep any Shares 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 Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some or all of your Shares from CCASS and become a registered holder of such Shares and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the Guoco SGM. In respect of any Shares of which you are the Beneficial Owner and/or which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person without delay regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and/or the Guoco SGM.**

If you are a Registered Owner holding Shares 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.

The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast, and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

### 5. MAKE YOUR ELECTION

Whether or not you will exercise your right to vote, you should complete and return the Form of Election by the Election Time.

You should consult your broker, custodian, nominee or other relevant person as soon as possible as to the timing and procedures for the election of the Cash Alternative and/or the Scrip Alternative. They may set a timeline which may be earlier than the Election Time to allow them sufficient time to submit the election to HKSCC Nominees by the deadline set by HKSCC Nominees. You should, therefore, allow sufficient time to have an Eligible CDS Account opened and ready before the deadline imposed by your broker, custodian, nominee or other relevant person.

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## PART IV – EXPECTED TIMETABLE

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

Date of despatch of this Scheme Document	Wednesday, 10 October 2018
End of the VWAP Period ( <i>Note 1</i> )	Tuesday, 16 October 2018
Announcement of the Scheme Consideration and the Cash Alternative Amount to the Scheme Shareholders	Tuesday, 16 October 2018
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the Guoco SGM	4:30 p.m. on Friday, 26 October 2018
Closure of the Register for determination of 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 Guoco SGM ( <i>Note 2</i> )	Saturday, 27 October 2018 to Thursday, 1 November 2018 (both days inclusive)
Latest time for lodging the forms of proxy in respect of: ( <i>Note 3</i> )	
– Court Meeting	10:00 a.m. on Tuesday, 30 October 2018
– Guoco SGM	10:30 a.m. on Tuesday, 30 October 2018
Meeting Record Date	Thursday, 1 November 2018
Court Meeting ( <i>Note 4</i> )	10:00 a.m. on Thursday, 1 November 2018
Guoco SGM ( <i>Note 4</i> )	10:30 a.m. on Thursday, 1 November 2018 or immediately after the conclusion or adjournment of the Court Meeting
Announcement of the results of the Court Meeting and the Guoco SGM posted on the website of the Stock Exchange	by 7:00 p.m. on Thursday, 1 November 2018
Expected latest time for trading in Shares on the Stock Exchange	4:00 p.m. on Friday, 2 November 2018
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme and the Distribution	4:30 p.m. on Tuesday, 6 November 2018
Latest time for lodging the Form of Election ( <i>Note 5</i> )	4:30 p.m. on Tuesday, 6 November 2018



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## PART IV – EXPECTED TIMETABLE

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

Closure of the Register for determining the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal ( <i>Note 6</i> ) . . . . .	Wednesday, 7 November 2018 to Wednesday, 14 November 2018 (both days inclusive)
Entitlement Record Date . . . . .	Thursday, 8 November 2018
Court Hearing . . . . .	Tuesday, 13 November 2018 ( <i>Bermuda time</i> )
Announcement of the results of the Court Hearing and to confirm the cancellation of the Scheme Shares and simultaneous issue of shares, the expected Effective Date and the expected date of the withdrawal of listing of the Shares on the Stock Exchange . . . . .	on or before 8:30 a.m. on Wednesday, 14 November 2018
Effective Date ( <i>Note 7</i> ) . . . . .	Wednesday, 14 November 2018 ( <i>Bermuda time</i> )
Trust established for the HLFM Shares under the Distribution . . . . .	Effective Date
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange . . . . .	on or before 8:30 a.m. on Thursday, 15 November 2018
Expected withdrawal of the listing of the Shares on the Stock Exchange becomes effective ( <i>Note 8</i> ) . . . . .	4:00 p.m. on Friday, 16 November 2018
Latest time to despatch cheques for the cash payment under the Scheme, credit HLFM Shares to the Scheme Shareholders' Eligible CDS Accounts and pay the Cash Alternative Amount ( <i>Note 9</i> ) . . . . .	Friday, 23 November 2018

*All Shareholders should note that the dates and times specified in the above timetable are subject to change. Further announcement(s) will be made in the event that there is any change to the above timetable. All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected date of the Court Hearing, the Effective Date and the date of the establishment of the trust for the HLFM Shares under the Distribution which are the relevant times and dates in Bermuda. For reference only, Bermuda time is 11 hours behind Hong Kong time as at the date of this Scheme Document.*

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## PART IV – EXPECTED TIMETABLE

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*Notes:*

- (1) The VWAP Period means the 14 Malaysian Trading Day period ending on the date that is 16 days (or, if such date is not a Malaysian Trading Day, the first day preceding such date which is a Malaysian Trading Day) prior to the Court Meeting.
- (2) The Register 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 entitlements of the Shareholders to attend and vote at the Guoco SGM. This book closure period is not for determining the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal.
- (3) The forms of proxy should be lodged at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than the times and date(s) stated above. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the Guoco SGM must be lodged no later than the latest times and date(s) stated above.

Each Scheme Shareholder is only entitled to submit one **pink** form of proxy for the Court Meeting. If more than one **pink** form of proxy for the Court Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, such **pink** forms of proxy will not be accepted. If more than one **pink** form of proxy for the Court Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman at the Court Meeting shall have absolute discretion as to whether or not to accept such **pink** forms of proxy.

Completion and return of a form of proxy for the Court Meeting and/or the Guoco SGM will not preclude a Scheme Shareholder or a Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been irrevocably revoked. If the **pink** form of proxy is not so lodged, it may also be handed to the Chairman at the Court Meeting before the taking of the poll who shall have absolute discretion as to whether or not to accept it.

- (4) The Court Meeting and the Guoco SGM will be held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong at the times and date specified above. Please see the notice of the Court Meeting set out in "Appendix V – Notice of Court Meeting" and the notice of the Guoco SGM set out in "Appendix VI – Notice of Guoco SGM" to this Scheme Document for details.
- (5) The **blue** Form of Election, duly completed in accordance with the instructions on them, must be lodged at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the Election Time, being 4:30 p.m. on Tuesday, 6 November 2018 (or such later date as may be notified by way of joint announcement by the Offeror and Guoco on the website of the Stock Exchange).
- (6) The Register will be closed as from such time and on such date for the purpose of determining the Shareholders who are qualified for entitlements under the Scheme and the Distribution.
- (7) The Scheme shall become effective upon all Scheme Conditions set out in the section headed "4. Conditions of the Scheme" in "Part VIII – Explanatory Statement" of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be).
- (8) If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Friday, 16 November 2018.
- (9) Cheques for the Scheme Consideration and Cash Alternative Amount will be despatched by ordinary post at the risk of the recipients to their addresses shown in the Register as soon as possible following the Effective Date on or before Friday, 23 November 2018, save for cheques in favour of HKSCC Nominees which will be made available for collection by HKSCC Nominees.



國浩集團有限公司  
Guoco Group Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code: 53)

*Executive chairman:*

Mr. Kwek Leng Hai

*President & CEO:*

Mr. Tang Hong Cheong

*Non-executive directors:*

Mr. Kwek Leng San

Mr. Tan Lim Heng

*Independent non-executive directors:*

Mr. Volker Stoeckel

Mr. Roderic N. A. Sage

Mr. David Michael Norman

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Principal place of business in Hong Kong:*

50th Floor, The Center

99 Queen's Road Central

Hong Kong

10 October 2018

*To: The Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF GUOCO GROUP LIMITED  
BY GUOLINE OVERSEAS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 99 OF THE COMPANIES ACT)  
(2) PROPOSED SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN-SPECIE  
BY GUOCO GROUP LIMITED OF ORDINARY SHARES  
IN HONG LEONG FINANCIAL GROUP BERHAD  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING  
BY GUOCO GROUP LIMITED**

**1. INTRODUCTION**

On 29 June 2018, the Offeror requested that the Guoco Board put forward to the Shareholders a proposal which will involve the privatisation of Guoco by way of a scheme of arrangement under section 99 of the Companies Act (the “**Scheme**”) and, subject to the Scheme having become binding and effective in accordance with its terms, the payment by Guoco of a special dividend (by way of a distribution in-specie) of up to 291,117,141 ordinary shares in HLFGB (a company in which Guoco has a 25.37% shareholding interest) (the “**Distribution**”) to the Shareholders whose names appear on the Register on the Entitlement Record Date.

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## PART V – LETTER FROM THE GUOCO BOARD

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The purpose of this Scheme Document is to provide you with further information regarding the Scheme, the Distribution, the Cash Alternative, the Scrip Alternative, the Form of Election and the expected timetable as well as to give you notice of the Court Meeting and the Guoco SGM (together with proxy forms in relation thereto).

Your attention is also drawn to the following in this Scheme Document: (a) the letter from the Independent Board Committee set out in “Part VI – Letter from the Independent Board Committee”; (b) the letter from Somerley set out in “Part VII – Letter from Somerley”; (c) the Explanatory Statement set out in “Part VIII – Explanatory Statement”; and (d) the terms of the Scheme set out in “Appendix IV – Scheme of Arrangement”.

### 2. TERMS OF THE PROPOSAL

Under the Proposal, the Scheme Shareholders will be able to receive the Scheme Consideration together with their entitlements under the Distribution. The Shareholders, other than the Non-Qualifying Shareholders, can irrevocably elect whether to receive their entitlements under the Distribution either in:

- (a) cash form (the *Cash Alternative*); and/or
- (b) scrip form (the *Scrip Alternative*).

The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Scrip Alternative.

#### 2.1 Cash Alternative

Those Scheme Shareholders validly electing to receive the Cash Alternative for all of their Shares will be entitled to receive a Total Price of HK\$135 per Scheme Share comprising:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Cash Alternative Amount* (under the Distribution) to be arranged by the Offeror (i.e. the amount per Share equal to 0.8847 HLF Share multiplied by the VWAP Price). This is further detailed in the section headed “5. The Distribution” in “Part VIII – Explanatory Statement” of this Scheme Document.

#### 2.2 Scrip Alternative

Those Scheme Shareholders, other than the Non-Qualifying Shareholders, validly electing to receive the Scrip Alternative for all of their Shares will be entitled to receive:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Scrip Alternative Shares* (under the Distribution) (i.e. 0.8847 HLF Share for every one Share, rounded down to the nearest whole number).

### **2.3 Scheme Consideration**

The amount of the Scheme Consideration that each Scheme Shareholder will receive will be the same regardless of whether a Scheme Shareholder elects to receive the Cash Alternative and/or the Scrip Alternative. The Scheme Consideration is equal to the Total Price less the Cash Alternative Amount and will be determined once the Cash Alternative Amount has been calculated, as further detailed in the section headed “5. The Distribution” in “Part VIII – Explanatory Statement” of this Scheme Document.

The Scheme Consideration will be funded by the Offeror and the Distribution will be made by Guoco. The Cash Alternative Amount will be arranged by the Offeror.

### **2.4 Total Price**

The aggregate Total Price payable in cash for all Scheme Shares under the Proposal, assuming all Scheme Shareholders elect for the Cash Alternative and assuming no change in the total number of Shares in issue since the Latest Practicable Date, is approximately HK\$12,491,069,805.

The Total Price of HK\$135 per Scheme Share represents:

- (a) a premium of approximately 14.4% over the closing price of HK\$118.00 per Share on the Last Trading Day;
- (b) a premium of approximately 16.9% over the volume weighted average closing price of approximately HK\$115.49 per Share based on the daily closing prices as quoted on the Stock Exchange for the seven trading days up to and including the Last Trading Day;
- (c) a premium of approximately 17.7% over the volume weighted average closing price of approximately HK\$114.66 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 22.7% over the volume weighted average closing price of approximately HK\$109.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 24.0% over the volume weighted average closing price of approximately HK\$108.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 17.9% over the volume weighted average closing price of approximately HK\$114.52 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

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## PART V – LETTER FROM THE GUOCO BOARD

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- (g) a discount of approximately 32.2% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$198.99 as at 30 June 2018, calculated based on Guoco's audited consolidated net asset value attributable to the Shareholders of approximately HK\$65,478,397,000 as at 30 June 2018 and 329,051,373 Shares in issue as at 30 June 2018; and
- (h) a premium of approximately 4.7% over the closing price of HK\$129.00 per Share on the Latest Practicable Date.

### 3. WORKED EXAMPLE FOR ILLUSTRATIVE PURPOSES

The following worked example illustrates how the Scheme Shareholders will receive their entitlements under the Proposal. As the Cash Alternative Amount is currently not known (and will only be known at the end of the VWAP Period), this worked example has been prepared on the assumptions that:

- (a) the Cash Alternative Amount is HK\$32.00 per Scheme Share. This amount equates to 0.8847 multiplied by a notional VWAP Price per HLFG Share of HK\$36.17 (based on the last 14 Malaysian Trading Days ending on the Latest Practicable Date at the Distribution Exchange Rate as at 9:00 a.m. on the Latest Practicable Date) (the “**Notional VWAP Price per HLFG Share**”); and
- (b) the relevant Scheme Shareholder holds 1,000 Scheme Shares (entitling the Scheme Shareholder to 884.7 HLFG Shares (which will be rounded down to the nearest whole number, so the Scheme Shareholder would be entitled to 884 HLFG Shares) under the Scrip Alternative).

#### **If the Scheme Shareholder elects for the Cash Alternative**

Under this worked example, the Scheme Shareholder validly electing to receive the Cash Alternative would be entitled to receive a cash amount per Scheme Share equal to the Total Price of HK\$135, comprised as follows:

- (a) a cash amount per Scheme Share equal to the *notional Scheme Consideration*, which would equal HK\$103.00 (being the Total Price less 0.8847 multiplied by the Notional VWAP Price per HLFG Share), to be paid by the Offeror under the Scheme; and
- (b) the *notional Cash Alternative Amount* (i.e. 0.8847 multiplied by the Notional VWAP Price per HLFG Share), which would equal HK\$32.00, to be arranged by the Offeror.

Based on a holding of 1,000 Scheme Shares, such Scheme Shareholder would receive an aggregate cash Total Price of HK\$135,000, comprised as follows:

- (a) an aggregate cash amount of HK\$102,999.44 as the *aggregate notional Scheme Consideration* under the Scheme; and
- (b) an *aggregate notional Cash Alternative Amount* of HK\$32,000.56 being 884.7 HLFG Shares multiplied by the Notional VWAP Price per HLFG Share under the Distribution.

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## PART V – LETTER FROM THE GUOCO BOARD

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### **If the Scheme Shareholder elects for the Scrip Alternative**

Under this worked example, the Scheme Shareholder, other than a Non-Qualifying Shareholder, validly electing for the Scrip Alternative would be entitled to receive an entitlement per Scheme Share, comprised as follows:

- (a) a cash amount per Scheme Share equal to the *notional Scheme Consideration*, which would equal HK\$103.00 (being the Total Price less 0.8847 multiplied by the Notional VWAP Price per HLF Share), to be paid by the Offeror under the Scheme; and
- (b) the *Scrip Alternative Shares* (i.e. 0.8847 HLF Share for every one Share, rounded down to the nearest whole number).

Based on a holding of 1,000 Scheme Shares, such Scheme Shareholder would receive:

- (a) an aggregate cash amount of HK\$102,999.44 as the *aggregate notional Scheme Consideration* under the Scheme; and
- (b) 884 HLF Shares (rounded down to the nearest whole number) as the *aggregate Scrip Alternative Shares* under the Distribution.

The market value of the 884 HLF Shares received as the aggregate Scrip Alternative Shares under the Distribution in the above worked example will fluctuate depending on the market value of the HLF Shares from time to time. The price per HLF Share was RM19.20 as at close of business on the Latest Practicable Date, equivalent to HK\$35.70 per HLF Share at the Distribution Exchange Rate (as at 9:00 a.m. on the Latest Practicable Date). On that basis, the market value based on the closing price on the Latest Practicable Date of the 884 HLF Shares received as the aggregate Scrip Alternative Shares under the Distribution in the above worked example would be HK\$31,556.68 in aggregate (or HK\$31.56 per Scheme Share).

**The Scheme Shareholders should be aware that this worked example is for illustrative purposes only and does not constitute any representation that the actual Scheme Consideration, the actual VWAP Price or the actual Cash Alternative Amount will be as assumed under this worked example.**

**Under the Proposal, the actual Scheme Consideration, the actual VWAP Price and the actual Cash Alternative Amount will only be confirmed at the end of the VWAP Period (further details of which are set out in the section headed “5. The Distribution” in “Part VIII – Explanatory Statement” of this Scheme Document).**

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## PART V – LETTER FROM THE GUOCO BOARD

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**However, the Scheme Consideration, together with the Cash Alternative Amount (where a Scheme Shareholder elects for the Cash Alternative), will always equal the Total Price.**

The following table further illustrates, for reference purposes only, the above description of the worked example on how the Scheme Shareholders will receive their entitlements per Scheme Share depending on such Scheme Shareholders' irrevocable elections between the Cash Alternative and/or the Scrip Alternative:

	<b>Cash Alternative per Scheme Share</b>	<b>Scrip Alternative per Scheme Share</b>
Scheme Consideration ( <i>X</i> )	TP – Y	TP – Y
Cash Alternative Amount ( <i>Y</i> )	0.8847 multiplied by the VWAP Price per HLF Share	Not applicable
Scrip Alternative Shares	Not applicable	0.8847 HLF Share
Element of Total Price per Scheme Share	X + Y	X + 0.8847 HLF Share (rounded down to the nearest whole number)

For the purposes of the above table:

*TP* = Total Price

*X* = Scheme Consideration

*Y* = Cash Alternative Amount

The actual Scheme Consideration and the actual Cash Alternative Amount will be determined based on the actual VWAP Price per HLF  
Share and will, therefore, only be known at the end of the VWAP Period. The Scheme Shareholders will be notified by announcement as soon as possible of the actual Scheme Consideration and the actual Cash Alternative Amount once known, which is expected to be Tuesday, 16 October 2018 (or such other date as the Scheme Shareholders and the Shareholders may be notified by announcement).

Using the Notional VWAP Price per HLF  
Share, the notional Scheme Consideration would equal HK\$103.00.

For reference purposes only, the notional Scheme Consideration represents:

- (a) a discount of approximately 12.7% to the closing price of HK\$118.00 per Share on the Last Trading Day;
- (b) a discount of approximately 10.8% to the volume weighted average closing price of approximately HK\$115.49 per Share based on the daily closing prices as quoted on the Stock Exchange for the seven trading days up to and including the Last Trading Day;



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## PART V – LETTER FROM THE GUOCO BOARD

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- (c) a discount of approximately 10.2% to the volume weighted average closing price of approximately HK\$114.66 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 6.4% to the volume weighted average closing price of approximately HK\$109.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 5.4% to the volume weighted average closing price of approximately HK\$108.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 10.1% to the volume weighted average closing price of approximately HK\$114.52 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (g) a discount of approximately 20.2% to the closing price of HK\$129.00 per Share on the Latest Practicable Date;
- (h) a discount of approximately 48.2% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$198.99 as at 30 June 2018; and
- (i) a discount of approximately 50.7% to the reassessed net asset value per Share attributable to the Shareholders of approximately HK\$208.82, calculated as the sum of the audited consolidated net asset value per Share of HK\$198.99 and the revaluation surplus per Share arising from the independent property valuation of property interests attributable to the Guoco Group of approximately HK\$9.83 as at 31 July 2018 as set out in the valuation reports in Appendix II to this Scheme Document.

The above comparisons of the notional Scheme Consideration against the closing price per Share, the volume weighted average closing price per Share, the audited consolidated net asset value per Share and the reassessed net asset value per Share are a worked example for illustrative purposes only.

**The Scheme Consideration, together with the Cash Alternative Amount (where a Scheme Shareholder elects for the Cash Alternative), will always equal the Total Price.**

Since the Scheme and the Distribution are inter-conditional, there will not be a situation where the Scheme Shareholders will receive the Scheme Consideration only and not the Scrip Alternative Shares and/or the Cash Alternative Amount. Further details on the inter-conditionality of the Scheme and the Distribution are set out in the sections headed “4. Conditions of the Scheme” and “6. Conditions of the Distribution” in “Part VIII – Explanatory Statement” of this Scheme Document.

**The above comparisons are unadjusted for the value of the HLFG Shares which will be distributed to the Shareholders pursuant to the Distribution.** The Total Price represents all elements that the Scheme Shareholders will receive. Further details are set out in the section headed “2.4 Total Price” of this letter from the Guoco Board.

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## **PART V – LETTER FROM THE GUOCO BOARD**

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The Scheme Shareholders should be aware that above worked example is for illustrative purposes only and does not constitute any representation that the actual Scheme Consideration, the actual VWAP Price per HLFG Share or the actual Cash Alternative Amount will be as assumed under this worked example.

Under the Proposal, the actual Scheme Consideration, the actual VWAP Price per HLFG Share and the actual Cash Alternative Amount will only be confirmed at the end of the VWAP Period.

### **4. CONDITIONS OF THE PROPOSAL**

The Proposal is conditional upon the satisfaction or valid waiver (if applicable) of the conditions described in the Explanatory Statement set out in “Part VIII – Explanatory Statement” of this Scheme Document.

All Scheme Conditions and Distribution Conditions will have to be satisfied or validly waived (if applicable) on or before the Long Stop Date, failing which the Proposal will lapse.

### **5. IRREVOCABLE UNDERTAKINGS**

On 29 June 2018, the Offeror received Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, among other things, vote (or procure votes) to approve the Proposal at the Court Meeting and the Guoco SGM in respect of the Committed Shares they respectively hold (which, in aggregate, represent approximately 9.72% of the issued share capital of Guoco as at the Latest Practicable Date).

The Irrevocable Undertakings will be terminated and the obligations of each of the Committed Shareholders under their respective Irrevocable Undertakings shall lapse and terminate if: (a) the Proposal is not approved at the Guoco SGM or the Court Meeting; (b) the Proposal is aborted, lapses or is withdrawn in accordance with its terms; or (c) the Proposal is not announced by Guoco as having become unconditionally effective by 31 January 2019 (or such other date as the Offeror, Guoco and each of the Committed Shareholders may agree in writing).

### **6. REASONS FOR AND BENEFITS OF THE PROPOSAL**

You are urged to read carefully the section headed “7. Reasons for and benefits of the Proposal” in “Part VIII – Explanatory Statement” of this Scheme Document.

### **7. INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee, which comprises Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman (each being an independent non-executive Guoco Director), has been established by the Guoco Board to make a recommendation to the Scheme Shareholders as to whether the terms of the Proposal are, or are not, fair and reasonable and whether to vote in favour of the Scheme and the Distribution at the Court Meeting and the Guoco SGM.

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## **PART V – LETTER FROM THE GUOCO BOARD**

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As Mr. Kwek Leng San, a non-executive Guoco Director, is an Offeror Director and he also holds Shares, he is regarded as being interested in the Proposal and does not form part of the Independent Board Committee. As Mr. Tan Lim Heng, a non-executive Guoco Director, is a non-executive director of Lam Soon (Hong Kong) Limited, an associate of the Offeror, he is regarded as being interested in the Proposal and does not form part of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out in “Part VI – Letter from the Independent Board Committee” of this Scheme Document.

### **8. INDEPENDENT FINANCIAL ADVISER**

Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from Somerley is set out in “Part VII – Letter from Somerley” of this Scheme Document.

### **9. INFORMATION ON THE OFFEROR AND HONG LEONG**

The Offeror is an exempted company incorporated in Bermuda with limited liability on 16 September 1993. Its principal activity is investment holding.

The Offeror is a wholly-owned indirect subsidiary of Hong Leong. As at the Latest Practicable Date, Mr. Quek Leng Chan had a direct and deemed interest of approximately 49.11% in Hong Leong through various holding companies. The remaining approximately 50.89% of Hong Leong (except for a small holding of not more than 1% held by a non-family member) was owned directly or indirectly by other members of the Quek and Kwek families (none of whom is a controlling shareholder of Hong Leong) as at the Latest Practicable Date. Hong Leong is an investment holding company, the subsidiaries of which are engaged in the businesses of financial services, manufacturing and distribution, property development and investment, and hospitality and leisure.

### **10. INFORMATION ON THE GUOCO GROUP**

Guoco is an exempted company incorporated in Bermuda with limited liability and listed on the Stock Exchange. It is an investment holding and investment management company. Its operating subsidiaries and investment activities are principally located in Hong Kong, China, Singapore, Malaysia, Vietnam and the United Kingdom. Guoco has four core businesses, namely: (a) principal investment; (b) property development and investment; (c) hospitality and leisure business; and (d) financial services.

### **11. INFORMATION ON HLFGB**

HLFG is an investment holding company. HLFGB was admitted to, and remains listed on, the Official List of Bursa Malaysia Securities Berhad on 27 November 1969. The HLFGB group is a diversified financial services group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers. The principal activities of the significant subsidiaries consist of commercial banking business, Islamic banking services, insurance and takaful business, investment banking, futures and stockbroking and asset management business.

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## PART V – LETTER FROM THE GUOCO BOARD

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### 12. INTENTION OF THE OFFEROR AND GUOCO

The Offeror and Guoco intend to continue with the existing business of the Guoco Group and does not intend to introduce significant changes to the existing operations. It is also the intention of the Offeror and Guoco that there will not be significant changes in the management and employees of the Guoco Group as a result of the Proposal. Nevertheless, the Offeror and Guoco will continue to monitor all business opportunities as they arise from time to time.

### 13. WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Effective Date, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. Guoco will, in accordance with Rule 6.15(2) of the Listing Rules, apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

The Shareholders will be notified by way of announcement of, among other things, the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An expected timetable of the Proposal is included in “Part IV – Expected Timetable” of this Scheme Document.

The Guoco Board intends to maintain the listing of the Shares on the Stock Exchange in the event that the Scheme does not become effective.

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

The Proposal will lapse if any of the Scheme Conditions and the Distribution Conditions has not been fulfilled or validly waived, if applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

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

**All Shareholders and potential investors should exercise caution when dealing in the securities of Guoco. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser.**

### 15. COURT MEETING AND GUOCO SGM

Notices convening the Court Meeting and the Guoco SGM to be held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 1 November 2018 at 10:00 a.m. and 10:30 a.m. (or immediately after the

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## PART V – LETTER FROM THE GUOCO BOARD

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conclusion or adjournment of the Court Meeting) respectively are set out in “Appendix V – Notice of Court Meeting” and “Appendix VI – Notice of Guoco SGM” to this Scheme Document.

The Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modification(s)) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders and the Independent Scheme Shareholders at the Court Meeting in the manner referred to in Scheme Conditions (b) and (c) in the section headed “4. Conditions of the Scheme” in “Part VIII – Explanatory Statement” of this Scheme Document. Immediately after the conclusion or adjournment of the Court Meeting, the Guoco SGM will be held for the purpose of considering and, if thought fit, passing:

- (a) a special resolution for the implementation of the Scheme in the manner referred to in Scheme Condition (d);
- (b) an ordinary resolution (i) to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of Guoco by the allotment and issue of an equal number of Shares (credited as fully paid) to the Offeror in the manner referred to in Scheme Condition (d) and (ii) for the approval by the Shareholders and the Independent Scheme Shareholders of the Distribution in the manner referred to in Scheme Conditions (f) and (g) in the section headed “4. Conditions of the Scheme” in “Part VIII – Explanatory Statement” of this Scheme Document.

An announcement will be made by Guoco in relation to the results of the Court Meeting and the Guoco SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code and will include, among others: (a) the number of votes cast in favour of the Scheme at the Court Meeting and the number of CCASS Participants on whose instructions they are cast; and (b) the number of votes cast against the Scheme at the Court Meeting and the number of CCASS Participants on whose instructions they are cast.

### **16. OVERSEAS SHAREHOLDERS**

Your attention is drawn to the section headed “21. Overseas Shareholders” in “Part VIII – Explanatory Statement” of this Scheme Document.

### **17. ACTIONS TO BE TAKEN**

Your attention is drawn to “Part III – Important notice and actions to be taken” and the section headed “24. Summary of actions to be taken” in “Part VIII – Explanatory Statement” of this Scheme Document.

### **18. RECOMMENDATION**

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal in the letter from the Independent Board Committee set out in “Part VI – Letter from the Independent Board Committee” of this Scheme Document.

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## PART V – LETTER FROM THE GUOCO BOARD

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As Mr. Kwek Leng San, a non-executive Guoco Director, is an Offeror Director and he also holds Shares, he is regarded as being interested in the Proposal and does not form part of the Independent Board Committee. As Mr. Tan Lim Heng, a non-executive Guoco Director, is a non-executive director of Lam Soon (Hong Kong) Limited, an associate of the Offeror, he is regarded as being interested in the Proposal and does not form part of the Independent Board Committee.

The following persons are considered to be interested in the Proposal and have, therefore, not participated, and will continue not to participate, in any vote of the Guoco Board in relation to the Proposal:

- (a) Mr. Kwek Leng Hai and Mr. Kwek Leng San, by virtue of being Offeror Directors; and
- (b) Mr. Tan Lim Heng and Mr. Tang Hong Cheong, by virtue of being directors of an associate of the Offeror.

Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. The text of the letter of advice from Somerley containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “Part VII – Letter from Somerley” of this Scheme Document. We would advise you to read such letter of advice carefully before you take any action in respect of the Proposal.

### 19. REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “20. Registration and Payment” in “Part VIII – Explanatory Statement” of this Scheme Document.

### 20. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “22. Taxation” in “Part VIII – Explanatory Statement” of this Scheme Document.

It is emphasised that none of the Offeror, Guoco, Evercore, Platinum, Somerley and their agents or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Scheme or the Distribution. All Scheme Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

### 21. FURTHER INFORMATION

You are urged to read the following in this Scheme Document carefully: (a) the letters from the Independent Board Committee and from Somerley, as set out in “Part VI – Letter from the Independent Board Committee” and “Part VII – Letter from Somerley”, respectively; (b) the Explanatory Statement as set out in “Part VIII – Explanatory Statement”; (c) the Appendices; (d) the Scheme as set out in “Appendix IV – Scheme of Arrangement”; (e) the notice of Court Meeting as set out in “Appendix V – Notice of Court Meeting”; and (f) the notice of Guoco SGM as set out in “Appendix VI – Notice of Guoco SGM”.

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## PART V – LETTER FROM THE GUOCO BOARD

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In addition, a **pink** form of proxy for the Court Meeting, a **white** form of proxy for the Guoco SGM and the **blue** Form of Election are enclosed with copies of this Scheme Document sent to the Registered Owners.

Yours faithfully  
For and on behalf of the board of  
**Guoco Group Limited**  
**Mr. Tang Hong Cheong**  
*President & CEO*



(Incorporated in Bermuda with limited liability)  
(Stock Code: 53)

*Members of the Independent Board Committee:*

Mr. Volker Stoeckel

Mr. Roderic N. A. Sage

Mr. David Michael Norman

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

10 October 2018

*To: The Scheme Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF GUOCO GROUP LIMITED  
BY GUOLINE OVERSEAS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 99 OF THE COMPANIES ACT)  
(2) PROPOSED SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN-SPECIE  
BY GUOCO GROUP LIMITED OF ORDINARY SHARES  
IN HONG LEONG FINANCIAL GROUP BERHAD  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING BY  
GUOCO GROUP LIMITED**

We refer to the document dated 10 October 2018 jointly issued by the Offeror and Guoco in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

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

Somerley Capital Limited has been appointed with our approval as the independent financial adviser to advise us in connection with the Proposal. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in “Part VII – Letter from Somerley” of this Scheme Document.



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## PART VI – LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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In the letter from Somerley set out in “Part VII – Letter from Somerley” of this Scheme Document, Somerley states that it considers the terms of the Proposal to be fair and reasonable as far as the Scheme Shareholders are concerned and advises the Independent Board Committee to recommend the Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the Guoco SGM to approve and implement the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and having taken into account the opinion of Somerley, and in particular the factors, reasons and recommendations set out in its letter in “Part VII – Letter from Somerley” of this Scheme Document, considers that as far as the Scheme Shareholders are concerned, the terms of the Proposal are fair and reasonable and accordingly, the Independent Board Committee recommends the Scheme Shareholders to vote:

- (a) at the Court Meeting, in favour of the Scheme; and
- (b) at the Guoco SGM, in favour of:
  - (i) the special resolution to approve and give effect to any reduction of the issued share capital of Guoco by the cancellation of the Scheme Shares and the ordinary resolution to immediately thereafter apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital by Guoco by the allotment and issue of an equal number of Shares (credited as fully paid) to the Offeror; and
  - (ii) the ordinary resolution to approve the Distribution.

The Independent Board Committee draws the attention of the Scheme Shareholders to the following in this Scheme Document: (a) “Part V – Letter from the Guoco Board”; (b) “Part VII – Letter from Somerley” which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee; and (c) “Part VIII – Explanatory Statement”.

Yours faithfully,

*The Independent Board Committee*

**Mr. Volker Stoeckel**  
*Independent non-executive  
director of Guoco*

**Mr. Roderic N.A. Sage**  
*Independent non-executive  
director of Guoco*

**Mr. David Michael Norman**  
*Independent non-executive  
director of Guoco*

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## PART VII – LETTER FROM SOMERLEY

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*The following is the text of a letter of advice from Somerley to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.*



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

10 October 2018

*To: The Independent Board Committee of Guoco Group Limited*

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF GUOCO GROUP LIMITED  
BY GUOLINE OVERSEAS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 99 OF THE COMPANIES ACT)  
(2) PROPOSED SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN-SPECIE  
BY GUOCO GROUP LIMITED OF ORDINARY SHARES  
IN HONG LEONG FINANCIAL GROUP BERHAD  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING BY GUOCO GROUP LIMITED**

### **I. INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal. Details of the Proposal are contained in the composite document (the “**Scheme Document**”) dated 10 October 2018, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 29 June 2018, as disclosed in the Announcement, the Offeror and Guoco jointly announced that the Offeror requested the Guoco Board to put forward to the Shareholders a proposal which will involve the privatisation of Guoco by way of a scheme of arrangement under Section 99 of the Companies Act and, subject to the Scheme having become binding and effective in accordance with its terms, the payment by Guoco of a special dividend (by way of distribution in-specie) of up to 291,117,141 ordinary shares in HLFGB (a company in which Guoco has a 25.37% shareholding interest) to Shareholders whose names appear on the register of members of Guoco on the Entitlement Record Date.

Subject to the Scheme having become binding and effective in accordance with its terms, through an election mechanism, the Shareholders, other than the Non-Qualifying Shareholders, will be able to receive their entitlements under the Distribution either in:

- cash form (the *Cash Alternative*); and/or
- scrip form (the *Scrip Alternative*).

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## PART VII – LETTER FROM SOMERLEY

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The Shareholders, other than the Non-Qualifying Shareholders, can irrevocably elect to receive:

- a combination of the Cash Alternative and the Scrip Alternative for his, her or its Shares;
- the Cash Alternative for all of his, her or its Shares; or
- the Scrip Alternative for all of his, her or its Shares.

The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Scrip Alternative.

The Independent Board Committee, comprising Mr. Volker Stoeckel, Mr. Roderic N.A. Sage and Mr. David Norman (each being an independent non-executive Guoco Director), has been established by the Guoco Board to make a recommendation to Scheme Shareholders as to whether the Proposal is, or is not, fair and reasonable so far as the Scheme Shareholders are concerned and as to voting on the Scheme. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise them in this regard.

We are not associated with Guoco, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Guoco, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Guoco Directors, which we have assumed to be true, accurate and complete in all material respects at the Latest Practicable Date. We have also assumed that all representations contained or referred to in the Scheme Document were true, accurate and complete at the time they were made and remain so at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such information. We have reviewed, among other things, the Announcement, the independent property valuation reports as set out in Appendix II to the Scheme Document (the “**Valuation Reports**”), the annual reports and annual results announcements of Guoco for the financial years ended 30 June 2017 and for the financial year ended 30 June 2018 respectively. We have discussed with the independent property valuers (the “**Independent Property Valuers**”) the methodologies, bases and assumptions adopted for the Valuation Reports. We have also discussed with the Guoco Directors the “Material Change Statement” and the basis on which it is made, as set out in paragraph 4 of Appendix I to the Scheme Document. We have sought and received confirmation from the Guoco Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Guoco Group, nor have we carried out any independent verification of the information supplied.

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## PART VII – LETTER FROM SOMERLEY

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### II. TERMS OF THE PROPOSAL

Under the Proposal, the Scheme Shareholders will be able to receive the Scheme Consideration together with their entitlements under the Distribution.

#### Total consideration per Share

The total consideration per Share payable to the Shareholders under the Proposal under the Cash Alternative and the Scrip Alternative is summarised below:

	<b>Aggregate consideration per Share receivable by Scheme Shareholders</b>
<b>Cash Alternative</b>	HK\$135 <i>(equivalent to the sum of Scheme Consideration and Cash Alternative Amount)</i>
<b>Scrip Alternative</b>	Scheme Consideration + 0.8847 HLFM Shares
where Scheme Consideration = HK\$135 – Cash Alternative Amount Cash Alternative Amount = 0.8847 HLFM Shares x VWAP Price VWAP Price = the volume weighted average closing price of the HLFM Shares throughout the VWAP Period, being the 14 Malaysian Trading Day period ending on the date that is 16 days (or, if such date is not a Malaysian Trading Day, the first day preceding such date which is a Malaysian Trading Day) prior to the Court Meeting using the Distribution Exchange Rate	

#### The Distribution

The Scheme Shareholders, other than the Non-Qualifying Shareholders, can irrevocably elect whether to receive their entitlements under the Distribution either in:

- cash form (the Cash Alternative); and/or
- scrip form (the Scrip Alternative).

The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Scrip Alternative.

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## PART VII – LETTER FROM SOMERLEY

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### *Cash Alternative*

Those Scheme Shareholders electing to receive the Cash Alternative will be entitled to receive a Total Price of HK\$135 per Scheme Share comprising:

- a cash amount per Scheme Share equal to the Scheme Consideration (under the Scheme) to be paid by the Offeror; and
- the Cash Alternative Amount (under the Distribution) to be arranged by the Offeror as further detailed in the section headed “8. The Distribution” (i.e. the amount per Share equal to 0.8847 HLFG Shares multiplied by the VWAP Price) of this letter.

### *Scrip Alternative*

Those Scheme Shareholders, other than the Non-Qualifying Shareholders, electing to receive the Scrip Alternative will be entitled to receive:

- a cash amount per Scheme Share equal to the Scheme Consideration (under the Scheme) to be paid by the Offeror; and
- the Scrip Alternative Shares (under the Distribution) (i.e. 0.8847 HLFG Shares for every one Share, rounded down to the nearest whole number).

### **Scheme Consideration**

The amount of the Scheme Consideration that each Scheme Shareholder will receive will be the same regardless of whether a Scheme Shareholder elects to receive the Cash Alternative and/or the Scrip Alternative. The Scheme Consideration is equal to the Total Price less the Cash Alternative Amount and will be determined once the Cash Alternative Amount has been calculated.

## **III. CONDITIONS OF THE PROPOSAL**

### **The Scheme**

The Scheme will become binding and effective on Guoco and all Scheme Shareholders subject to satisfaction or valid waiver (if applicable) of the Scheme Conditions which include (among other conditions):

- (i) Guoco Assets Sdn Bhd, Guoco’s wholly owned subsidiary, having distributed 291,117,141 HLFG Shares to Guoco;
- (ii) the approval of the Scheme by a majority in number of Scheme Shareholders present and voting at the Court Meeting representing not less than three-fourths in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Court Meeting;

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## PART VII – LETTER FROM SOMERLEY

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- (iii) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast against the resolution to approve (by way of poll) the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Scheme Shareholders;
- (iv) the passing by Shareholders of a special resolution at the Guoco SGM to approve any reduction of the issued share capital of Guoco by the cancellation of the Scheme Shares, and an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of Guoco by the allotment and issue of an equal number of Shares (credited as fully paid) to the Offeror;
- (v) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (vi) the approval of the Distribution (by way of poll) by at least a majority of the votes attaching to the Shares held by the Shareholders that are voted either in person or by proxy at the Guoco SGM; and
- (vii) the approval of the Distribution (by way of poll) by at least a majority of the votes attaching to the Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Guoco SGM.

Further details of the Scheme Conditions are set out in the section headed “4. Conditions of the Scheme” in the Explanatory Statement in the Scheme Document. As at the Latest Practicable Date, other than Scheme Condition (i) which had been satisfied, none of the Scheme Conditions had been satisfied or validly waived.

All of the Scheme Conditions will have to be satisfied or validly waived (if applicable), on or before the Long Stop Date set out in the Scheme Document, otherwise the Scheme will not become effective. When the Scheme Conditions are satisfied or validly waived (if applicable) the Scheme will become binding and effective on Guoco and all the Scheme Shareholders.

**The Distribution**

The Distribution will be subject to satisfaction of the following Distribution Conditions:

- (a) the Distribution having been approved (by way of poll) by at least a majority of the votes attaching to the Shares held by the Shareholders that are voted either in person or by proxy at the Guoco SGM;
- (b) the Distribution having been approved (by way of poll) by at least a majority of the votes attaching to the Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Guoco SGM;
- (c) Guoco Assets Sdn Bhd, Guoco's wholly owned subsidiary, having distributed 291,117,141 HFLG Shares to Guoco; and
- (d) the Scheme having become binding and effective in accordance with its terms.

The Scheme and the Distribution are inter-conditional. As at the Latest Practicable Date, other than Distribution Condition (c) which had been satisfied, none of the Distribution Conditions had been satisfied.

**IV. IRREVOCABLE UNDERTAKINGS**

On 29 June 2018, the Offeror received Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, among other things, vote (or procure votes) to approve the Proposal at the Court Meeting and the Guoco SGM in respect of the Committed Shares they respectively hold (which in aggregate represent approximately 9.72% of the issued share capital of Guoco as at the Latest Practicable Date).

The Irrevocable Undertakings will be terminated and the obligations of each of the Committed Shareholders under their respective Irrevocable Undertakings shall lapse and terminate if: (a) the Offeror announces, in compliance with the Takeovers Code and before this Scheme Document is posted, that it does not intend to proceed with the Proposal; (b) if the Proposal is not approved at the Guoco SGM or the Court Meeting; (c) if the Proposal is aborted, lapses or is withdrawn in accordance with its terms; or (d) if the Proposal is not announced by Guoco as having become unconditionally effective by 31 January 2019 (or such other date as the Offeror, Guoco and the Committed Shareholders may agree in writing).

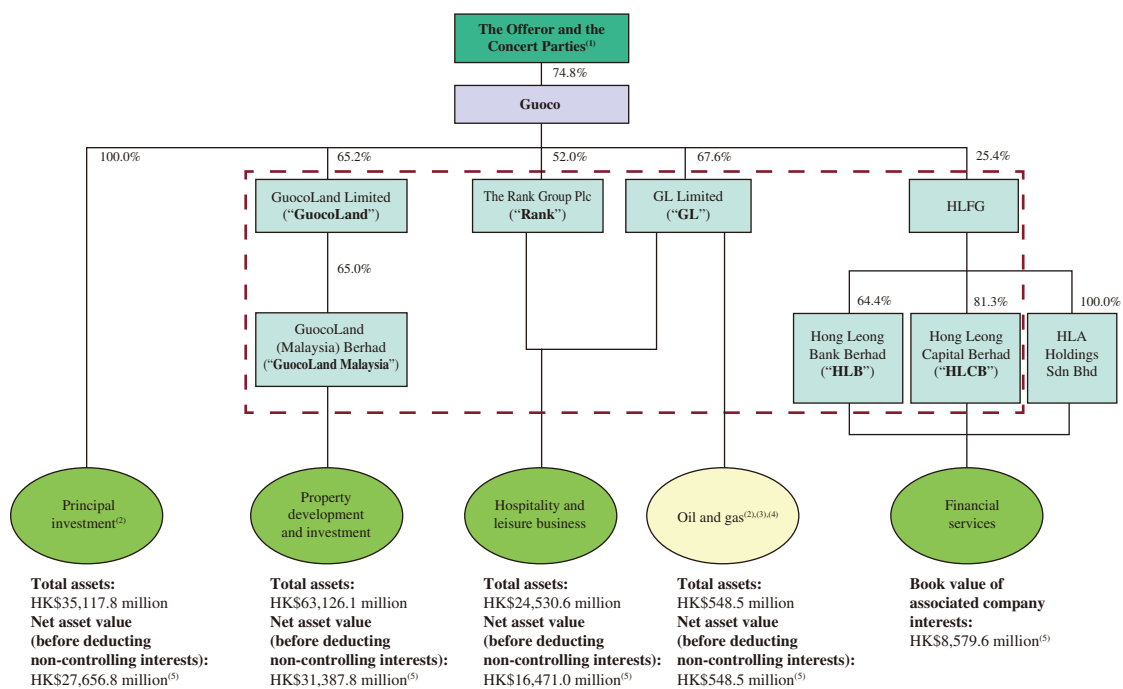
**V. PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

**1. Background information of the Guoco Group and organisational structure**

The Guoco Group is principally engaged in (i) principal investments; (ii) property development and investment; (iii) hospitality and leisure business; and (iv) financial services. Set out below is the simplified organisation chart of the Guoco Group including its listed subsidiaries and associates and their respective principal businesses:

**FIGURE 1: ABRIDGED ORGANISATION CHART OF THE GUOCO GROUP**



*Notes:*

- (1) Through various intermediate holding companies, Guoco is ultimately and beneficially owned as to about 74.8% by the Offeror and the Concert Parties.
- (2) Guoco holds this division directly, as opposed to holding through listed subsidiaries and associates.
- (3) GL holds the rights to certain royalties from the production of oil and natural gas in the Bass Strait oil trust in Australia.
- (4) This division is considered non-core given the relatively small contribution to Guoco's net asset value.
- (5) The segmental total assets and net asset value (before deducting for non-controlling interests) figures above as at 30 June 2018 were taken from the annual results announcement of Guoco for the year ended 30 June 2018.
- (6) [ ] refers to the listed subsidiaries and associates of the Guoco Group.



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## PART VII – LETTER FROM SOMERLEY

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Set out below is the background information of each of the core divisions of the Guoco Group:

**(a) *Principal investment***

The Guoco Group’s principal investment division covers equity and direct investments as well as treasury operations. In this portfolio, the largest single investment is in Bank of East Asia Limited (“**BEA**”). The Guoco Group’s investment team focuses on long-term cycle trends and related investment opportunities and actively looks for under-valued counters that offer attractive recovery potential. The Guoco Group’s treasury team focuses on global economic conditions, forex and interest rate trends and strategic trading ideas.

**(b) *Property development and investment***

GuocoLand, a public company listed on the Main Board of Singapore Exchange Securities Trading Limited, in which Guoco has a stake of 65.2%, is a premier property company with operations in the geographical markets of Singapore, China, Malaysia and Vietnam. In 2017, GuocoLand marked its expansion beyond Asia into the new markets of the United Kingdom and Australia through a strategic partnership with Eco World Development Group Berhad in Eco World International Berhad. GuocoLand’s portfolio comprises residential, hospitality, commercial, retail, mixed-use and integrated developments.

In Malaysia, GuocoLand has a well-established presence, engaging in property development and investment activities through its 65% subsidiary, GuocoLand Malaysia Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad.

A large proportion of the Scheme Document is devoted to an up-to-date independent property valuation of Guoco Group’s property interests which are set out in Appendix II, including the hotels referred to in sub-paragraph (c) below. Scheme Shareholders are recommended to read this appendix, which contains much detailed information, while bearing in mind that these properties are held through separately listed public companies with their own policies and priorities. Guoco does not control the properties directly.

**(c) *Hospitality and leisure business***

GL and Rank are the two listed subsidiaries of Guoco engaged in the hospitality and leisure business.

GL is listed on the Main Board of the Singapore Exchange, and its hospitality business is operated out of GLH Hotels Limited (“**GLH**”) in the United Kingdom. GLH is the largest owner-operator hotel company in London with 15 hotels and 13 of them are in top London locations. It owns and operates its hotels under four owned brands – Amba Hotels, Guoman Hotels, Thistle Hotels and Thistle Express Hotels. In addition to its hospitality business, GL owns real estate in Hawaii and rights to royalties from the production of oil and natural gas in Australia’s Bass Strait.

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## PART VII – LETTER FROM SOMERLEY

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Rank is a leading British gaming company listed on the London Stock Exchange. Rank's businesses comprise four established gaming-based entertainment brands in Great Britain, Spain and Belgium. They are: Mecca – a leading bingo operator in Great Britain with 84 clubs and a digital business offering both online and mobile bingo; Grosvenor Casinos – the leading casino operator with 52 casinos in Great Britain along with one casino in Belgium and an online and mobile casino business; Enracha – an operator of nine bingo clubs in Spain; and Yobingo – a Spanish online bingo operator.

**(d) Financial services**

The Guoco Group's financial services business is primarily conducted through HLFG, a company listed on the Main Market of Bursa Malaysia Securities Berhad. Guoco acquired 25% interest in HLFG in 1993 and currently owns approximately 25.37%. It is accounted for as an associate, so while Guoco can exercise influence on management, it does not control it.

HLB, the 64.4% owned subsidiary of HLFG and listed on the Main Market of Bursa Malaysia Securities Berhad, operates a network of 280 branches in Malaysia with overseas branches in Singapore and Hong Kong, and wholly owned subsidiaries in Vietnam and Cambodia, providing comprehensive services in personal financial services, treasury, corporate and commercial banking. It also has a presence in the PRC via an interest of 17.99% in the Bank of Chengdu Co., Limited and 49% in Sichuan Jincheng Consumer Finance Limited Liability Company, a joint venture company between the Bank of Chengdu Co., Limited and HLB.

HLFG also has interests in insurance held through HLA Holdings Sdn Bhd which owns 70% interest in Hong Leong Assurance Berhad and 65% in Hong Leong MSIG Takaful Berhad which are principally involved in conventional and Islamic life insurance business respectively. HLA Holdings Sdn Bhd also holds a 30% interest in MSIG Insurance (Malaysia) Bhd which is one of the largest general insurance companies in Malaysia, and 100% interest in both Hong Leong Insurance (Asia) Limited and HL Assurance Pte. Ltd. which operate general insurance business in Hong Kong and Singapore respectively. Through its 81.3% owned subsidiary HLCB, which is also listed on the Main Market of Bursa Malaysia Securities Berhad, HLFG is also engaged in investment banking, stockbroking, futures broking and related financial services, unit trust management, fund management and the sale of unit trusts.

*Comments*

As at the Latest Practicable Date, the Offeror and the Concert Parties held approximately 74.83% of Guoco's issued share capital.

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## PART VII – LETTER FROM SOMERLEY

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The asset and business portfolio has been largely the same since the last privatisation proposal in 2013, comprising property development and investment, hospitality and leisure, principal investment and financial services (through HLFG). Apart from the principal investment division, nearly all these core businesses are carried on through separately listed companies, in different jurisdictions such as Singapore, Malaysia and the United Kingdom.

Guoco Group's diverse business activities and layered investment holding structure are, in our view, unique of its type, in that we have not been able to find another Hong Kong listed company with a similar range of businesses held through a similar corporate ownership structure.

### 2. Reasons for and benefits of the Proposal

As set out in "Part VIII – Explanatory Statement" in the Scheme Document, the Proposal, if successful, will facilitate integration between the Offeror Group and Guoco and will provide the Offeror Group with greater flexibility to support the future business development of Guoco and its subsidiaries.

If successful, the Proposal is also expected to lead to cost savings through the simplification of the structure and elimination of costs associated with compliance and maintaining the listing of the Shares. Moreover, it will allow Guoco to solely focus its resources on business operations.

The Offeror Board is of the view that the terms of the Proposal are attractive to the Scheme Shareholders and that the Proposal is beneficial to the Scheme Shareholders in the following ways:

- (a) **the Proposal represents an attractive opportunity to realise value at a substantial premium.** During the 90 consecutive trading days up to and including the Last Trading Day, the Shares traded within the closing price range of HK\$103.00 to HK\$121.30 per Share. The Total Price represents a premium of approximately 24.0% over the volume weighted average closing price of HK\$108.88 per Share over the same period. Please refer to the section headed "5. Analysis of market price of the Shares" below for further details on a comparison of the Total Price against the closing price per Share and the volume weighted average closing price per Share;
- (b) **the Proposal provides an opportunity for the Scheme Shareholders to realise their Shares in return for cash.** During the 90 consecutive trading days up to and including the Last Trading Day, the daily average trading volume of the Shares was 30,265 Shares, or approximately 0.01% of the number of total issued Shares as at the Last Trading Day. Given that the Shares are generally thinly traded, there is limited opportunity for the Scheme Shareholders to divest their investment in Guoco. The Proposal represents an option to the Scheme Shareholders to exit from their investment in Guoco;

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## PART VII – LETTER FROM SOMERLEY

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- (c) **an alternative general offer for the Shares is unlikely.** Given that the Offeror holds approximately 71.88% of the issued share capital of Guoco and that the Offeror has indicated that it holds such Shares as a long-term investment, it is unlikely that there will be any general offers at a premium by third parties for the Shares held by the Scheme Shareholders; and
- (d) **the Proposal provides an opportunity for the Shareholders to retain their exposure to HLFG.** The successful completion of the Scheme, in the absence of the Distribution, would lead to an increase in the Offeror's ownership in HLFG, which would be subject to a regulatory approval. The Distribution is proposed to be done in conjunction with the Scheme to simplify the transaction structure. It will also provide the Shareholders with an opportunity to retain their exposure in HLFG and to benefit directly from the investment value of HLFG after completion of the Proposal.

### *Comments*

The last privatisation proposal by Guoco was in May 2013, over five years ago. The recent market conditions and financial position of the Guoco Group are different from those in 2013, as will be discussed in the following sections. Nevertheless, the Total Price of HK\$135 represents a 35% premium over the last offer price of HK\$100 (on the basis that the privatisation condition would be fulfilled), and the Shares have never traded above HK\$135. Following the lapse of the last privatisation offer, the Share price closed lower than HK\$100 in the period from May 2013 until 30 August 2017. The Shares have been traded close to the Total Price recently since the Announcement, but Scheme Shareholders should be aware that, in our view, this is due to an assumption in the market that the Proposal will proceed. This is further discussed in the sections below.

### **3. Analyses of the financial information of the Guoco Group**

#### *(a) Income statement*

Set out below are the summarised consolidated income statements of Guoco for the three financial years ended 30 June 2018 as extracted from the annual reports and annual results announcements of Guoco for the year ended 30 June 2017 and for the year ended 30 June 2018.

**PART VII – LETTER FROM SOMERLEY**

**TABLE 1: SUMMARISED CONSOLIDATED INCOME STATEMENTS OF GUOCO**

	<b>Year ended 30 June</b>		
	<b>2018</b> <i>HK\$'million</i> (Audited)	<b>2017</b> <i>HK\$'million</i> (Audited)	<b>2016</b> <i>HK\$'million</i> (Audited)
Revenue	30,640.5	13,959.8	17,259.7
Cost of sales	(18,274.2)	(6,960.5)	(8,972.1)
Other attributable costs	(691.2)	(432.2)	(311.5)
Subtotal	11,675.1	6,567.1	7,976.1
Other revenue	242.1	252.5	321.6
Other net (losses)/income	(437.6)	3,798.3	2,241.1
Administrative and other operating expenses	(4,836.3)	(4,260.8)	(4,659.2)
Finance costs	(834.3)	(839.3)	(761.1)
Profit from operations	5,809.0	5,517.8	5,118.5
Valuation surplus of investment properties	1,191.9	1,674.5	114.8
Share of profits of associates and joint ventures	900.1	940.5	647.5
Profit for the year before taxation	7,901.0	8,132.8	5,880.8
Taxation	(1,664.3)	(707.8)	(988.8)
Profit for the year	<u>6,236.7</u>	<u>7,425.0</u>	<u>4,892.0</u>
Attributable to the Shareholders	<u>4,898.9</u>	<u>6,124.3</u>	<u>3,087.9</u>
Dividend for the year (HK\$ per Share)	<u>1.00</u>	<u>4.00</u>	<u>4.00</u>

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**PART VII – LETTER FROM SOMERLEY**

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(i) *Segmental revenue*

Set out below is a summary of the Guoco Group's segmental revenue (from external customers) for the three years ended 30 June 2018:

**TABLE 2: SEGMENTAL REVENUE OF GUOCO**

	Principal investment <sup>Note</sup> <i>HK\$'million</i>	Property development and investment <i>HK\$'million</i>	Hospitality and leisure <i>HK\$'million</i>	Financial services <i>HK\$'million</i>	Total <i>HK\$'million</i>
Segmental revenue for the year ended 30 June 2018	1,196.0	19,294.7	10,149.8	–	30,640.5
<i>Percentage of total revenue</i>	<i>3.9%</i>	<i>63.0%</i>	<i>33.1%</i>	<i>–</i>	<i>100.0%</i>
Segmental revenue for the year ended 30 June 2017	744.6	3,495.3	9,719.9	–	13,959.8
<i>Percentage of total revenue</i>	<i>5.3%</i>	<i>25.1%</i>	<i>69.6%</i>	<i>–</i>	<i>100.0%</i>
Segmental revenue for the year ended 30 June 2016	1,092.6	5,046.4	11,087.8	32.9	17,259.7
<i>Percentage of total revenue</i>	<i>6.3%</i>	<i>29.2%</i>	<i>64.3%</i>	<i>0.2%</i>	<i>100.0%</i>

*Note:* Only interest income and dividend income are recognised as revenue of the principal investment division.

Property development and investment and hospitality and leisure business operations altogether contributed over 90% of the Guoco Group's revenue during the period under review. Based on Guoco's accounting policy, only interest income and dividend income are recognised as revenue of principal investment segment.

The Guoco Group's revenue decreased by approximately 19.1% to HK\$14.0 billion for the year ended 30 June 2017 compared to HK\$17.3 billion for the prior year, mainly because of the decline of property development and investment segment of HK\$1.6 billion due to the decrease in revenue from sale of properties by 40% to HK\$2.9 billion. In addition, there was a decline in the hospitality and leisure segment of HK\$1.4 billion principally due to lower revenue generated from the hotel, gaming and property development segments of GL Limited as a result of the weakening of GBP against USD, lower gaming drop and win margin and land disposal respectively during the year.

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## PART VII – LETTER FROM SOMERLEY

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Revenue increased substantially by approximately 119.5% to HK\$30.6 billion for the year ended 30 June 2018 compared to HK\$14.0 billion for the prior year, mainly attributable to the increase of HK\$15.8 billion (representing about 4.5 times the prior year's revenue) in the property development and investment segment, as revenue from sale of properties increased substantially by 539.4% to HK\$18.3 billion primarily due to significant contributions from Changfeng Residence, a residential project in Shanghai which has been completed and substantially sold during the year, whereas no significant sales of similarly sized properties took place in the prior year.

*(ii) Other revenue*

Other revenue comprises sublease income, royalty income from Bass Strait oil and gas and hotel management fee. Other revenue decreased by 21.5% to approximately HK\$252.5 million for the year ended 30 June 2017 as compared to approximately HK\$321.6 million for the corresponding period in the prior year, as the one-off termination fee from hotel management contract of US\$12.5 million was recorded in the previous year. Other revenue decreased slightly by 4.1% to approximately HK\$242.1 million for the year ended 30 June 2018, mainly due to lower subleasing income for food and beverage from the hotel operation.

*(iii) Other net (losses)/income*

Other net income increased by 69.5% to approximately HK\$3,798.3 million for the year ended 30 June 2017 as compared to approximately HK\$2,241.1 million for the corresponding period in the prior year, mainly due to (i) net realised and unrealised gains on trading financial assets of HK\$3.5 billion (against net realised and unrealised losses of HK\$1.3 billion for the corresponding period in the prior year) as Guoco's focus on China and Japan markets yielded positive results; partially offset by (ii) the one-off net gains on disposal of subsidiaries and associates of HK\$3.3 billion in the previous year.

Other net loss was HK\$437.6 million for the year ended 30 June 2018, mainly due to net realised and unrealised losses on trading financial assets of HK\$988.4 million as a result of the adverse mark-to-market fair valuation impact on the investment portfolio due to softening of the equity markets.

*(iv) Net profit*

The Guoco Group reported a net profit attributable to the Shareholders of approximately HK\$4.9 billion for the year ended 30 June 2018 as compared to a net profit attributable to the Shareholders of approximately HK\$6.1 billion and HK\$3.1

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**PART VII – LETTER FROM SOMERLEY**

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billion for the years ended 30 June 2017 and 30 June 2016 respectively. Set out below is a breakdown of profit/(loss) before tax for the three years ended 30 June 2018:

**TABLE 3: SEGMENTAL PROFIT/(LOSS) BEFORE TAXATION OF GUOCO**

	Principal investment <i>HK\$'million</i>	Property development and investment <i>HK\$'million</i>	Hospitality and leisure <i>HK\$'million</i>	Financial services <i>HK\$'million</i>	Oil and gas <i>HK\$'million</i>	Total <i>HK\$'million</i>
Segmental profit before tax for the year ended 30 June 2018	172.3	5,763.2	877.1	934.1	154.3	7,901.0
Segmental profit before tax for the year ended 30 June 2017	3,781.3	2,388.3	1,108.4	693.0	161.8	8,132.8
Segmental (loss)/profit before tax for the year ended 30 June 2016	(632.1)	4,175.7	1,389.2	815.7	132.3	5,880.8

For the year ended 30 June 2016, property development and investment contributed HK\$4.2 billion, representing 71.0% of total profit before tax. For the year ended 30 June 2017, the Guoco Group's profit before tax grew 38.3% to HK\$8.1 billion. Such increase was due to (i) significant improvement in segmental profit before taxation for principal investment to HK\$3.8 billion (against loss of HK\$0.6 billion for the corresponding period in the prior year) as Guoco's focus on China and Japan markets yielded positive results; partially offset by (ii) decline in segmental profit before taxation for property development and investment by 42.8% to HK\$2.4 billion compared to HK\$4.2 billion in the prior year, as the one-off gain on disposal of the Dongzhimen project was recorded in the previous year.

For the year ended 30 June 2018, profit before tax dropped slightly by 2.9% to HK\$7.9 billion due to the significant decrease in segment profit on principal investment from HK\$3,781.3 million to HK\$172.3 million, as dividend income and realised profits from Guoco's investments in Japan and China in the first half of the financial year have been outweighed by the adverse mark-to-market fair valuation on the investment portfolio due to the softening of the equity markets. About half of Guoco's investment portfolio (excluding BEA) is invested in Hong Kong and the PRC, where the Hang Seng Index and the Shanghai A-shares Index declined by 3.2% and 13.9% respectively in the volatile second half of the financial year due to concerns on the ongoing trade tensions between the U.S. and the PRC as well as the slowdown in the PRC's economic momentum as a result of the government's deleveraging efforts. This is compensated by the property division which has shown significant improvement contributing HK\$5.8 billion (representing 72.9% of total profit before tax) as compared to HK\$2.4 billion in the prior year as a result of the substantial increase in revenue from sale of properties.



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### (v) *Dividends*

We note that Guoco has maintained a steady dividend payout to Shareholders of HK\$4.00 per Share from 2014 to 2017. The dividend paid by Guoco to Shareholders accounted for about 62.2% of the dividend received by Guoco from the listed subsidiaries and associate and listed investments for the year ended 30 June 2017. The historical dividend yield based on the Total Price of HK\$135.00 per Share is 2.96%. Such dividend yield was comparable to the average dividend yield of the Hang Seng Index of 2.98% as of 31 December 2017.

Guoco has paid an interim dividend of HK\$1.00 per Share for the six months ended 31 December 2017 (HK\$1.00 per Share for the six months ended 31 December 2016). As stated in the Announcement, other than the Distribution, Guoco does not intend to declare or pay any dividend or any distribution on the Shares from the Announcement Date until the Scheme has become binding and effective or is aborted, lapses or is withdrawn in accordance with its terms.

### *Comments*

Revenue from property development and investment segment for the year ended 30 June 2018 accounts for over 60% of the revenue to the Guoco Group as compared to below 30% in 2016 and 2017 due to the revenue recognised on completion and sale of several property projects in Singapore and the PRC and the maiden full year rental income from Guoco Tower in 2018. The hospitality and leisure segment has been a stable contributor to revenue, while revenue from principal investment division (from interest and dividends) is relatively minor.

The results of the principal investment segment fluctuated significantly over the last three years with a sharp recovery from loss before tax of HK\$0.6 billion for the year ended 30 June 2016 to profit before tax of HK\$3.8 billion for the year ended 30 June 2017, but then deteriorating substantially to HK\$0.2 billion in profit before tax for the year ended 30 June 2018. The recent deterioration of principal investment's result has been impacted by the adverse mark-to-market fair valuation on the investment portfolio due to the softening of the equity markets. About half of Guoco's investment portfolio (excluding BEA) is invested in Hong Kong and the PRC, where concerns on the ongoing trade tensions between the U.S. and the PRC as well as the slowdown in the PRC's economic momentum as a result of the government's deleveraging efforts triggered overall market decline. Profit from the property development and investment business is also volatile depending significantly on the timing of developments, as the segment's profit before tax declined by 42.8% to HK\$2.4 billion for the year ended 30 June 2017 but then grew 141.3% to HK\$5.8 billion for the year ended 30 June 2018.

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Given the volatility of profits/(losses) from principal investment and property development and investment segment, we do not consider it valid, or useful for the Scheme Shareholders, to attempt to value Guoco as a whole on a multiple of earnings. Therefore, we have placed more weight on the analysis of balance sheet measures, including the calculation of the Market Price-related Value (see Table 10) which tend to be more stable and are set out in subsequent sections, and the other principally market-related factors discussed in the remainder of this letter.

**(b) Financial position and property valuation**

Set out below are the summarised consolidated balance sheets of Guoco as at 30 June 2016, 30 June 2017 and 30 June 2018 as extracted from the annual reports and annual results announcements of Guoco for the year ended 30 June 2017 and for the year ended 30 June 2018:

**TABLE 4: SUMMARISED CONSOLIDATED BALANCE SHEETS OF GUOCO**

	<b>As at 30 June</b>		
	<b>2018</b> <i>HK\$' million</i> (Audited)	<b>2017</b> <i>HK\$' million</i> (Audited)	<b>2016</b> <i>HK\$' million</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties	28,005.8	18,336.8	16,368.8
Other property, plant and equipment	13,298.9	13,178.2	13,093.8
Interest in associates and joint ventures	10,660.0	9,500.6	7,932.9
Available-for-sale financial assets	14,088.4	14,461.6	12,647.9
Deferred tax assets	157.7	702.0	383.0
Intangible assets	7,704.4	7,737.1	7,892.6
Goodwill	1,432.9	1,078.6	1,112.2
Pension surplus	89.3	4.6	20.4
	<u>75,437.4</u>	<u>64,999.5</u>	<u>59,451.6</u>
<b>CURRENT ASSETS</b>			
Development properties	13,269.3	17,942.2	12,309.5
Properties held for sale	5,858.1	3,757.7	5,881.4
Deposits for land	–	2,646.9	–
Trade and other receivables	4,213.1	2,472.5	4,018.4
Trading financial assets	13,016.3	11,570.0	13,495.1
Cash and short term funds	19,860.0	25,200.4	18,976.2
Assets held for sale	248.4	68.5	–
	<u>56,465.2</u>	<u>63,658.2</u>	<u>54,680.6</u>

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	<b>As at 30 June</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
	(Audited)	(Audited)	(Audited)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5,474.6	10,699.4	6,099.5
Bank loans and other borrowings	11,622.3	18,336.1	14,653.4
Taxation	376.2	649.8	887.6
Provisions and other liabilities	85.2	103.8	103.2
	<u>17,558.3</u>	<u>29,789.1</u>	<u>21,743.7</u>
 Total current liabilities	 <u>17,558.3</u>	 <u>29,789.1</u>	 <u>21,743.7</u>
 Net current assets	 <u>38,906.9</u>	 <u>33,869.1</u>	 <u>32,936.9</u>
 Total assets less current liabilities	 <u>114,344.3</u>	 <u>98,868.6</u>	 <u>92,388.5</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	26,035.2	18,822.1	19,849.6
Amount due to non-controlling interests	2,290.5	1,794.0	1,207.6
Provisions and other liabilities	408.2	305.0	492.0
Deferred tax liabilities	966.6	629.0	381.3
	<u>29,700.5</u>	<u>21,550.1</u>	<u>21,930.5</u>
 Total non-current liabilities	 <u>29,700.5</u>	 <u>21,550.1</u>	 <u>21,930.5</u>
 <b>NET ASSETS</b>	 <u>84,643.8</u>	 <u>77,318.5</u>	 <u>70,458.0</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	1,291.0	1,284.2	1,276.6
Reserves	64,187.4	60,643.5	54,896.1
	<u>65,478.4</u>	<u>61,927.7</u>	<u>56,172.7</u>
 Total equity attributable to the Shareholders	 <u>65,478.4</u>	 <u>61,927.7</u>	 <u>56,172.7</u>
Non-controlling interests	19,165.4	15,390.8	14,285.3
	<u>19,165.4</u>	<u>15,390.8</u>	<u>14,285.3</u>
 <b>TOTAL EQUITY</b>	 <u><u>84,643.8</u></u>	 <u><u>77,318.5</u></u>	 <u><u>70,458.0</u></u>

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Set out below is the breakdown of the Guoco Group's assets and liabilities by segmental business activities:

**TABLE 5: GUOCO GROUP'S SEGMENTAL ASSETS AND LIABILITIES**

	<b>Principal investment</b>	<b>Property development and investment</b>	<b>Hospitality and leisure</b>	<b>Financial services</b>	<b>Oil and gas</b>	<b>Total</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
<b>As at 30 June 2018</b>						
Total assets	35,117.8	63,126.1	24,530.6	8,579.6	548.5	131,902.6
Total liabilities	7,460.9	31,738.3	8,059.6	–	–	47,258.8
Net asset value	27,656.9	31,387.8	16,471.0	8,579.6	548.5	84,643.8
<b>As at 30 June 2017</b>						
Total assets	39,987.2	56,801.5	23,815.8	7,460.6	592.6	128,657.7
Total liabilities	10,156.6	33,143.8	8,038.8	–	–	51,339.2
Net asset value	29,830.6	23,657.7	15,777.0	7,460.6	592.6	77,318.5
<b>As at 30 June 2016</b>						
Total assets	35,142.8	47,643.0	23,457.1	7,293.7	595.6	114,132.2
Total liabilities	10,101.8	25,392.1	8,180.3	–	–	43,674.2
Net asset value	25,041.0	22,250.9	15,276.8	7,293.7	595.6	70,458.0

*(i) Properties*

As at 30 June 2018, property development and investment accounted for close to half of the Guoco Group's total assets. Investment properties comprise properties leased to third parties and properties under development and are mainly located in Singapore, China, Malaysia and Hong Kong. They were stated at fair market value in the accounts of the Guoco Group.

The Guoco Group's investment properties increased by 12.0% from HK\$16.4 billion as at 30 June 2016 to HK\$18.3 billion as at 30 June 2017 mainly due to the valuation surplus of HK\$1.7 billion for the year. Guoco Group's investment properties grew further by 52.7% to HK\$28.0 billion as at 30 June 2018 mainly attributable to GuocoLand's addition during the year of a prime commercial site at Beach Road in Singapore for a mixed-use development.

Other property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Over 80% is interests in leasehold and freehold land and buildings (including the self use portion of properties of the Guoco Group). The balance remained at a similar level at HK\$13.1 billion, HK\$13.2 billion and HK\$13.3 billion as at 30 June 2016, 2017 and 2018 respectively.

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Development properties and properties held for sale are held as current assets and are stated at the lower of cost and net realisable value, where net realisable value represents the estimated selling price less costs to be incurred in selling the properties. Development properties showed growth of 45.8% as at 30 June 2017 compared to the prior year end as GuocoLand made selective land acquisitions in Singapore, Chongqing in the PRC and Malaysia during the year in order to maintain a steady supply of property development projects in the pipeline, while properties held for sale declined from HK\$5.9 billion as at 30 June 2016 to HK\$3.8 billion as at 30 June 2017 following disposals during the year. As at 30 June 2018, development properties and properties held for sale together decreased by 11.8% from HK\$21.7 billion to HK\$19.1 billion mainly due to sales activities during the year but partially offset by the additions from land acquisitions in Chongqing and the residential component of the Beach Road site.

Based on the Valuation Reports as set out in Appendix II to the Scheme Document, the management of the Guoco Group estimated the revaluation surplus arising from the valuation of property interests attributable to the Guoco Group as at 31 July 2018 to be at approximately HK\$3,233.8 million, which is based on the valuation of property interests attributable to the Guoco Group as at 31 July 2018, as set out in Appendix II to the Scheme Document, adjusted for (i) the carrying values of such property interests as of 31 July 2018; and (ii) the relevant potential tax liabilities, as provided by the management of the Guoco Group.

We have interviewed the Independent Property Valuers and discussed with them the rationale of adopting the different valuation methodologies, bases and assumptions for valuing the different properties held by the Guoco Group and examined the valuation worksheets and sample comparables used by the Independent Property Valuers. Details in respect of the valuation methodologies adopted by the Independent Property Valuers are set out in the Valuation Reports. Set out below are the summary of valuation methodologies adopted by the Independent Property Valuers in valuing the different properties held by the Guoco Group.

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**TABLE 6: SUMMARY OF VALUATION METHODOLOGIES**

<b>Independent Property Valuer</b>	<b>Property interest</b>	<b>Valuation methodology</b>
Crowe Horwath First Trust Appraisal Pte. Ltd.	Property interests held by Guoco, GL and GuocoLand located in China, Hong Kong, Malaysia, Singapore and Vietnam. The subject properties are mainly development properties, properties held for sale and investment properties.	<p>The majority of the property interests were valued by comparison method which consists of comparisons based on prices realised or current asking prices of comparable properties. Comparable properties of similar sizes, characters and locations are selected and then analysed and weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.</p> <p>Certain properties were also valued by direct capitalization method, which capitalized the existing tenancies in the remaining tenancy terms into the term interest and assembled it with the reversionary interest.</p> <p>For property interests under construction, the residual method has been adopted, which involves an estimation of the capital value of a proposed development with reference to its development potential by deducting costs and developers' profit from its estimated completed development value.</p> <p>The valuer considered certain leased property interests to have no commercial value primarily due to the prohibition against assignment or sub-letting and/or due to the lack of substantial profit rent.</p>

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<b>Independent Property Valuer</b>	<b>Property interest</b>	<b>Valuation methodology</b>
Christie + Co.	Property interests held by GLH Hotels and GLH Hotels Management (UK) Limited, wholly-owned subsidiaries of GL, located in the United Kingdom. All of the subject properties are hotels.	In valuing the property interests, the valuer has adopted an income capitalisation approach checking against a direct comparable approach. The valuations are provided on an estimation of fair maintainable turnover and operating profit that a reasonably efficient operator would expect to achieve on the assumption that each property is properly equipped, repaired, maintained and decorated. Sales of comparable hotels have been analysed and weighted against all the respective advantages and disadvantages of the subject properties in order to confirm the market value ascribed by income capitalisation approach.

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<b>Independent Property Valuer</b>	<b>Property interest</b>	<b>Valuation methodology</b>
Gerald Eve LLP	Property interests held by Rank and Clermont Leisure (UK) Limited, a wholly-owned subsidiary of GL, located in the United Kingdom. The subject properties are mainly casinos and bingo clubs.	In valuing the property interests, the valuer has adopted the income capitalisation approach to valuation based on the capitalisation of rental income potential from the valuation date at an appropriate investment yield to arrive at the capital value. The valuer has assessed the rental value and capitalisation rate adopted within the valuations by reference to an analysis of comparable properties and its interpretation of prevailing investor requirements or expectations. The valuer has applied an appropriate capitalisation rate to the rental income/profit rent (or rental loss in the case of over rented leasehold properties), based on the risks and rewards associated with the property interests and a purchaser's required rate of return. The valuer has also reflected a potential purchaser's assessment of a day-one opportunity to acquire and occupy a property which has been designed or adapted for its specific use by making a capital addition as appropriate. In relation to the Rank multi asset sites, given the nature of the property interests being valued, which comprise bingo clubs, casinos, cinema, nightclub, restaurants etc. (as the case may be) and part sublet to other third party occupiers, the valuer has also had regard to a discounted cash flow approach to valuation, where appropriate.



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<b>Independent Property Valuer</b>	<b>Property interest</b>	<b>Valuation methodology</b>
Cushman & Wakefield Spain Ltd.	Property interests held by Rank located in Spain. The subject properties are mainly bingo clubs.	In valuing the subject property interests, the valuer has adopted an income capitalisation approach to valuation based on the capitalisation of the existing and reversionary rental income potential from the date of valuation at an appropriate investment yield to arrive at the capital value. The valuer has assessed the rental value and capitalisation rate to be adopted for the valuation by reference to an analysis of market transactions on comparable properties and its interpretation of prevailing investor requirements or expectations. The valuer has applied an appropriate capitalisation rate to the rental income (or rental loss in the case of over rented leasehold properties), based on the risks and rewards associated with the property interests and a purchaser's required rate of return.
CBRE, Inc.	Property interests held by Molokai Properties Limited, a wholly-owned subsidiary of GL, located in the island of Molokai in the Hawaiian Islands. The subject properties mainly comprise of vacant lands.	The majority of the subject properties have been primarily valued using a sales comparison approach. This approach is based on the principle that the value of a property is governed by the prices generally being obtained for similar properties in the marketplace. Adjustments are made to compensate for differences between the comparable properties and the subject.

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Independent Property Valuer	Property interest	Valuation methodology
		Income capitalisation approach was used to value the lease fee interests in certain subject properties encumbered by long-term leases (in excess of one year). Depreciated replacement cost analysis was used in evaluating the contributory value of certain substantial buildings located in Maunaloa Village.

The Independent Property Valuers have adopted principally the direct comparison approach and the income capitalisation approach as valuation methodologies for the valuation of the majority of the properties held by the Guoco Group, and the discounted cash flow approach for the Rank multi asset sites. They have decided on the approach based on a variety of considerations, namely, among others, the availability of market transactions of similar properties, the nature of the properties (whether it be freehold, short or long leasehold properties, operating leases, etc), the accepted approach of valuing similar properties and the prevailing investor requirements or expectations.

On the above basis, we consider the valuation methodologies, and bases and assumptions adopted for the valuation of the properties of the Guoco Group by the Independent Property Valuers are reasonable.

*(ii) Interests in associates and joint ventures*

Investments in associates and joint ventures are equity accounted for in the accounts of the Guoco Group, which are initially stated at cost and adjusted for any change of the Guoco Group's share of their net assets and any related impairment loss subsequently. The main associate is HLFG.

The Guoco Group's interests in associates and joint ventures increased by 19.8% from HK\$7.9 billion as at 30 June 2016 to HK\$9.5 billion as at 30 June 2017 mainly due to the acquisition of interest in EcoWorld International Berhad, a property developer listed on the Malaysian Stock Exchange, as a joint venture. The Guoco Group's interests in associates and joint ventures further increased by 12.2% to HK\$10.7 billion as at 30 June 2018 mainly due to share of profit from HLFG and the appreciation of RM during the year.

*(iii) Available-for-sale financial assets and trading financial assets*

As at 30 June 2018, principal investment accounted for about 26.6% of the Guoco Group's total assets. Available-for-sale financial assets are remeasured at the end of each reporting period with any unrealised gain or loss accumulated separately in fair value reserve. Trading financial assets are also remeasured at the end of each reporting period with any resultant gain or loss being recognised in profit or loss.

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The Guoco Group's available-for-sale financial assets, which mainly consisted of blue chip listed equity securities in Hong Kong, recorded an increase of 14.3% to HK\$14.5 billion as at 30 June 2017 as compared to the previous year end, and a slight decrease of 2.6% to HK\$14.1 billion as at 30 June 2018. The major investment which accounted for more than 5% of the total asset value of the Guoco Group as at 30 June 2018 was BEA (booked as an available-for-sale financial asset). Pursuant to substantial shareholding notification published by BEA, the Guoco Group held approximately 14.15% in the total issued share capital in BEA.

On the other hand, the majority of holdings of the Guoco Group's trading financial assets were in blue chip international equity securities, which dropped 14.3% to HK\$11.6 billion as at 30 June 2017 as compared to the previous year end, but increased 12.4% to HK\$13.0 billion as at 30 June 2018. The changes were due to mark-to-market share price movements and sale and purchase of principal investments during the relevant periods under review.

*(iv) Intangible assets and goodwill*

The Guoco Group's intangible assets remained stable at approximately HK\$7.9 billion, HK\$7.7 billion and HK\$7.7 billion as at 30 June 2016, 2017 and 2018 respectively, which mainly represented its interests in the casino licenses and brand names of Rank and the Bass Strait oil and gas royalty of GL, stated at cost less accumulated amortisation and impairment losses.

Goodwill of the Guoco Group remained at approximately HK\$1.1 billion as at 30 June 2016 and 2017. Goodwill is tested for impairment at each financial year end and no impairment has been identified during the period under review. Goodwill of the Guoco Group for the year ended 30 June 2018 increased by 32.8% to HK\$1.4 billion as a result of the acquisition by Rank of the entire issued share capital of QSB Gaming Limited and its subsidiaries, which operate a leading digital bingo business in the Spanish gaming market, in May 2018.

*(v) Cash and short term funds*

The Guoco Group's cash and short term funds increased 32.8% to HK\$25.2 billion as at 30 June 2017 over the prior year end of HK\$19.0 billion mainly attributable to the net cash generated from operating activities, and decreased 21.2% to HK\$19.9 billion as at 30 June 2018 mainly due to cash used for the additions of investment properties under development.

*(vi) Bank loans and other borrowings*

As at 30 June 2018, total bank loans and other borrowings were approximately HK\$37.7 billion, of which HK\$11.6 billion were repayable within the next 12 months. The Guoco Group's total borrowings are mostly denominated in SGD, USD, GBP and MYR. As at 30 June 2018, approximately 82% of the borrowings were at floating rates and the remaining 18% were at fixed rates.

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(vii) *NAV and NTAV per Share*

The net asset value (excluding non-controlling interest, the “NAV”) and the net tangible asset value (excluding non-controlling interest and intangible assets and goodwill, the “NTAV”) attributable to the Shareholders were approximately HK\$65.5 billion and HK\$56.3 billion respectively as at 30 June 2018.

As mentioned in the paragraph headed “(i) Properties” above, the land and buildings of the Guoco Group are stated at cost less accumulated depreciation and any impairment losses, whilst the investment properties are stated at fair value. Therefore, the carrying value of the land and building may differ from the most current valuation.

Set out below are the computation of the NAV and NTAV attributable to the Shareholders having adjusted the revaluation surplus arising from the valuation of property interests attributable to the Guoco Group as at 31 July 2018 to reflect the current value of the property interests of the Guoco Group on the bases discussed above and set out in the Valuation Reports (the “**Reassessed NAV**” or “**Reassessed NTAV**”).

**TABLE 7: REASSESSED NAV AND REASSESSED NTAV**

<b>(Unaudited)</b>	<b>NAV attributable to the Shareholders</b>	<b>NTAV attributable to the Shareholders</b>
As at 30 June 2018 (HK\$’ million)	65,478.4	56,341.1
NAV/NTAV per Share (HK\$)	199.0	171.2
Add: Revaluation surplus arising from the independent property valuation of property interests attributable to the Guoco Group as at 31 July 2018 (HK\$’ million) <sup>(1)</sup>	3,233.8	3,233.8
Reassessed figures adjusted for the current valuation (HK\$’ million)	68,712.2	59,574.9
Number of Shares in issue	329,051,373	329,051,373
Reassessed NAV/NTAV per Share (HK\$)	208.8	181.1
Reassessed NAV/NTAV per Share excluding HLF <sup>G</sup> ( <sup>2</sup> ) (HK\$)	181.9	154.2

*Notes:*

- Based on the independent property valuation of property interests attributable to the Guoco Group as at 31 July 2018, as set out in the Valuation Reports, having adjusted for (i) the carrying values of such property interests as of 31 July 2018; and (ii) the relevant potential tax liabilities, as provided by the management of the Guoco Group.
- For illustrative purpose, it is calculated based on the Reassessed NAV/NTAV per Share deducted by the net asset value per Share attributable to the Distribution of approximately HK\$26.92 as at 30 June 2018.

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On the basis discussed above, the NAV and NTAV per Share, based on the unaudited consolidated balance sheet of Guoco as at 30 June 2018, before the valuations were approximately HK\$199.0 and HK\$171.2 respectively. The Reassessed NAV and Reassessed NTAV per Share after adjusting for the fair value of the land and buildings were approximately HK\$208.8 and HK\$181.1 respectively.

### *Comments*

The value of intangible assets and goodwill is substantial, representing approximately HK\$9.1 billion. The NTAV of Guoco as at 30 June 2018 was HK\$56.3 billion. Intangibles and goodwill principally relate to Rank, which operates profitably, and other intangible relate to oil and gas royalties being received. Therefore, the intangible assets and goodwill, supported by the profitability of the underlying assets, have also been taken into account when considering the asset value of Guoco. The NAV of Guoco as at 30 June 2018 was HK\$65.5 billion.

Properties held for sale, development properties and other properties are stated in the financial statement at the lower of cost and net realizable value. The latest property valuation reports on all the property interests held by the Guoco Group are a more current measure of market values and are set out in Appendix II to the Scheme Document.

As set out in Table 7 above, the revaluation surplus arising from the independent property valuation of property interests attributable to the Guoco Group as at 31 July 2018 amounts to HK\$3,233.8 million or HK\$9.8 per Share leading to Reassessed NAV of HK\$68,712.2 million or HK\$208.8 per Share and Reassessed NTAV of HK\$181.1 per Share. As set out in Figure 7 below, during most of the Review Period, the Shares have traded at a substantial discount to NAV, ranging from about 40% to 50%. This substantial discount, in our view, might be due to two main factors, firstly the diversity of the assets/businesses (conglomerate discount) and secondly the majority of the property interests and other assets of Guoco (apart from principal investment) being held through subsidiaries separately listed on overseas exchanges (holding company discount). A conglomerate structure is not attractive to investors seeking precise exposure to a specific business or sector. The Guoco Group (uniquely among Hong Kong listed companies) combines principal investments, property, hotels, gaming, oil and gas and financial services. Even if an investor follows all these sectors, it is unlikely that they would choose precisely the proportions in Guoco's portfolio or consider that a single top management team can supervise all of them equally well. This gives rise to a conglomerate discount. In addition, in Guoco's case, we consider the market imposes a holding company discount. As stated above, apart from principal investments, Guoco carries on its businesses through separately listed subsidiaries. This lessens Guoco's control, as the boards of those subsidiaries have a fiduciary duty to run their companies independently and listing rules generally impose restrictions on transactions between such companies and their parent (Guoco). This gives rise to the additional holding company discount.

Since 30 June 2018, being the latest published audited financial statements of the Guoco Group were made up and until the Latest Practicable Date, no subsequent data or information on the financial position of the Guoco Group has been published other than the valuation of property interests attributable to the Guoco Group as at 31 July 2018, as set out in Appendix II to the Scheme Document. The share price of BEA, the largest single investment in Guoco's principal investment portfolio, has declined by over 11% since 30 June 2018 up to the Latest Practicable Date, which is equivalent to a decrease of approximately HK\$4.1 in Guoco's NAV per Share based on Guoco's shareholding in BEA. As the investment portfolio of Guoco's principal investment division mainly consists of listed equity securities, Guoco's NAV could be impacted by the adverse mark-to-market fair valuation on the investment portfolio and possibly deteriorate should the equity market face further downward pressure in the near future. Furthermore, the financial position of Guoco is also vulnerable to foreign currency volatility, as approximately 45% of Guoco's NAV as at 30 June 2018 was attributable to companies with operating currencies in RM, British pound sterling, Singaporean dollar and Renminbi, which have all weakened against Guoco's reporting currency of US\$ since 30 June 2018 up to the Latest Practicable Date. Should the US\$ continue to strengthen on the back of various factors such as expected interest rate increases and strong economic growth, a further decline in Guoco's NAV could result.

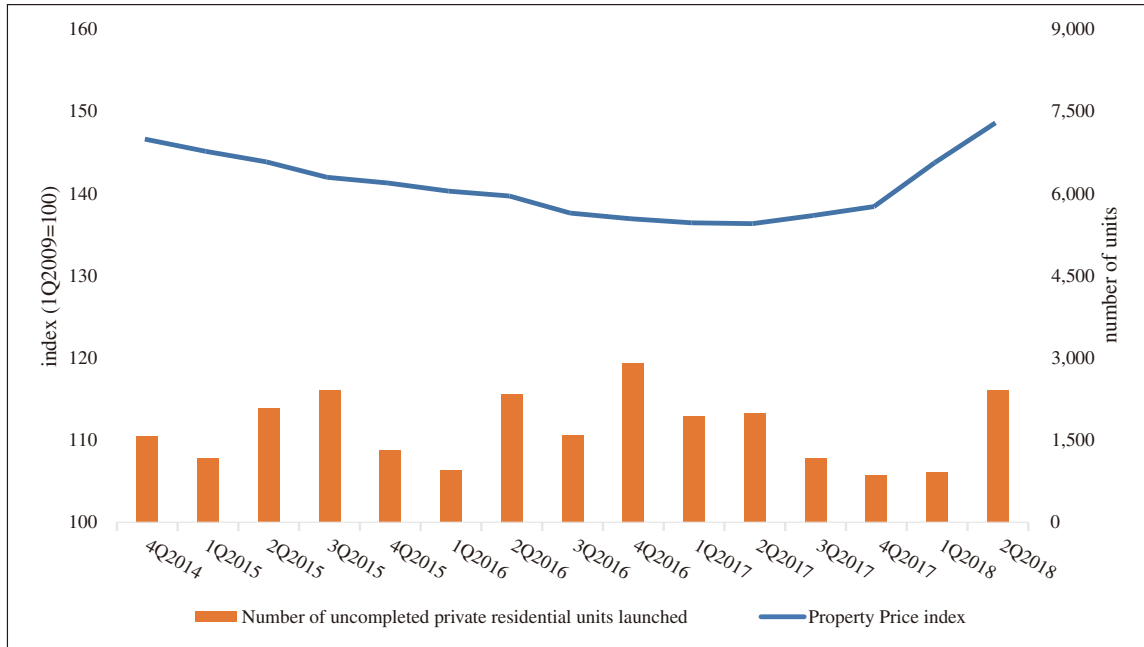
#### **4. Industry overview and prospects of the Guoco Group's businesses**

Guoco Group has four core divisions, consisting of principal investment, property development and investment, hospitality and leisure business and financial services, among which principal investment and property development and investment contribute most to the total gross asset value of the Guoco Group accounting for approximately 75%, in aggregate, for the year ended 30 June 2018. The outlook of the property development and investment industry and stock markets, in our view, would significantly affect the trading conditions of the Guoco Group in the near future.

##### ***Singapore property market***

The major market for Guoco Group's property development and investment division is Singapore. In 2010s, a series of measures was introduced in Singapore to cool off the property market. As gross domestic product grew at the rate between 2.4% and 5.9% from 2012 to 2017 (according to the Yearbook of Statistics Singapore 2018 published by the Department of Statistics of Singapore), the Singapore property market has undergone a mild correction in the past few years until the second half of 2017.

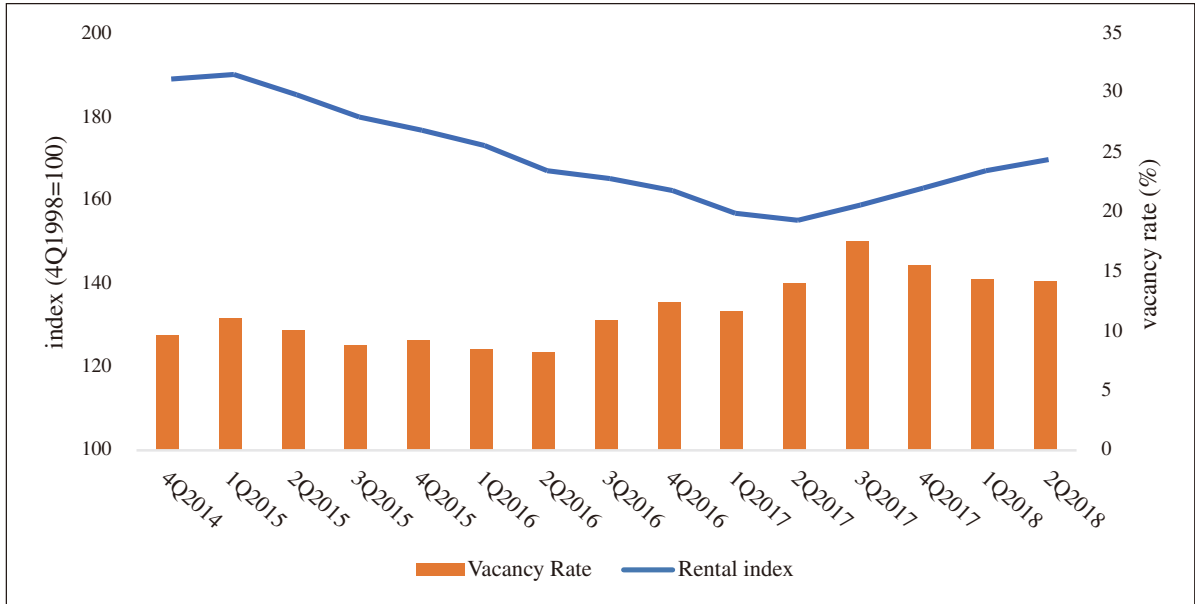
FIGURE 2: PRICE AND SUPPLY OF PRIVATE RESIDENTIAL PROPERTIES



Source: Urban Redevelopment Authority, Singapore (“URA”)

As shown in the above figure, the decline in residential property price index persisted for 12 consecutive quarters from 4Q2014 to 3Q2017 at compound quarter growth rate of -0.6% and then strengthened in 3Q2017 until 2Q2018 at compound quarter growth rate of 2.7%. The supply of uncompleted private residential units launched fluctuated between quarters but the 12-month supply is seen to be stable between 6,000 units and 8,000 units for the period from the 4Q2014 to 2Q2018. According to the expected completion dates reported by developers to URA, 7,130 units, 9,510 units, 3,707 units and 10,532 units will be completed in the 2nd half of 2018, 2019, 2020 and 2021, respectively.

FIGURE 3: RENTAL INDEX AND VACANCY RATES OF OFFICE PROPERTIES *(Note)*



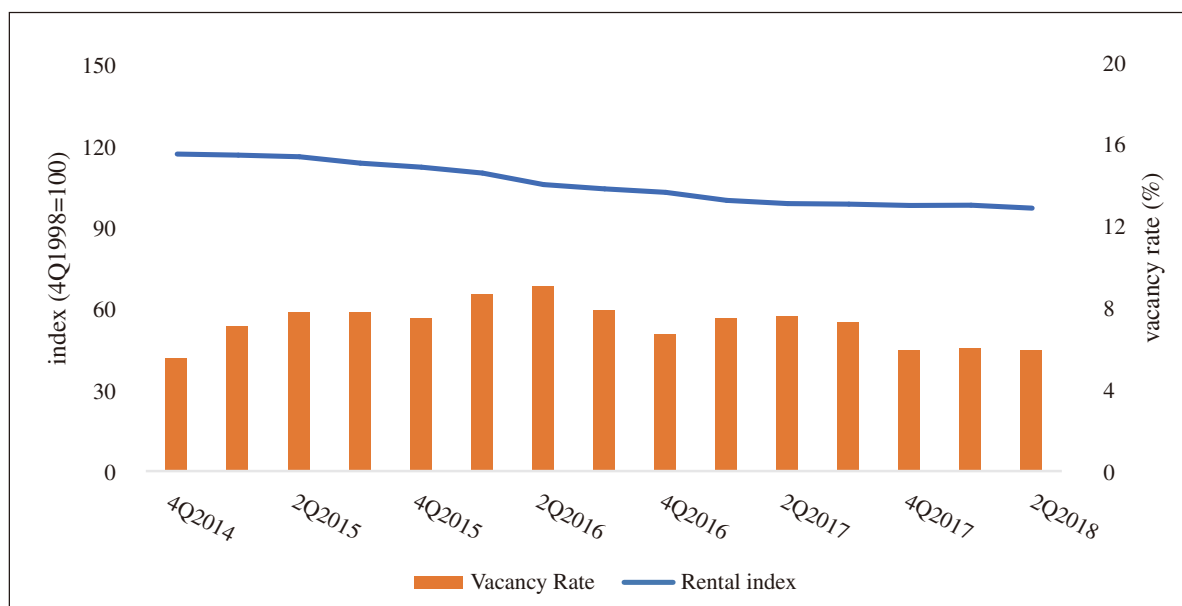
Source: URA

Note: According to URA, the properties are located in core business areas in Downtown Core and Orchard Planning Area which are relatively modern or recently refurbished, command relatively high rentals and have large floor plate size and gross floor area.

As shown in the above figure, the office rental index fell gradually from 189.8 to 155.6 at compound quarter growth rate of -2.0% from 4Q2014 to 2Q2017 and then picked up to reach 170.3 in 2Q2018 at a compound quarter growth rate of 2.3%. The office vacancy rate swung between 8.3% and 12.6% from 4Q2012 to 1Q2017 and exceeded 14% in each of the next five quarters up to and including 2Q2018, reaching a high of 17.7% in 3Q2017. According to URA, for the next three and a half years, the pipeline supply of office space is expected to be 117 thousand sq.m in 2nd half of 2018, 51 thousand sq.m in 2019, 197 thousand sq.m in 2020 and 113 thousand sq.m in 2021.



FIGURE 4: RENTAL INDEX AND VACANCY RATES OF RETAIL PROPERTIES *(Note)*



Source: URA

Note: According to URA, the properties are located in Orchard Planning Area of Central Area of Singapore.

As shown in the above figure, the retail rental index showed a moderate decline from 118.4 in 4Q2014 to 98.2 in 2Q2018. The retail vacancy rate exhibited a steady trend with the most recent three quarters' vacancy rate stabilising at around 6%. According to URA, it is anticipated that the pipeline supply of retail properties will taper for next three and a half years from 221 thousand sq.m in 2nd half of 2018 to 54 thousand sq.m in 2021.

Based on the above, the historical price/rental and market supply of the Singapore property market are seen to be relatively stable before 3Q2017 as compared with those in other Asia Pacific property markets like Hong Kong and the PRC and pipeline supply in the next few years is also seen to be moderate. In light of the rising property prices in 3Q2017, the Singapore government has recently introduced cooling measures (e.g. increasing additional buyer's stamp duty rates and tightening loan-to-value limits on residential property purchases) to avoid the over-heating residential property market.

### Stock markets

The Guoco Group's principal investment division covers equity and direct investments as well as treasury operations. As of 30 June 2018, the Guoco Group's total investments amounted to US\$3,454 million. The investment portfolio consists of a total of over 40 securities. The major investment which accounted for more than 5% of the total asset value of the Guoco Group as at 30 June 2018 was BEA. Its investment portfolio (excluding BEA) covers all industries on a global basis with a focus on financial services industry. About 50.2% of the portfolio has invested in China and Hong Kong as at 30 June 2018.

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From the global market's perspective, as the China-US trade war intensified, developed stock markets have been volatile since late 2017. The US stock markets are supported by earnings growth of the companies with local business focus which are relatively immune to the effects of trade war. Economic growth in Europe and Japan has slowed down and companies in these regions recorded lacklustre results. The China-US trade war and deleveraging efforts in the PRC mainland have weakened China and Hong Kong stock markets. The Shanghai and Shenzhen stock exchange A-share indexes dropped significantly in the first half of 2018 by 13.9% and 15.4% respectively and continued to fall through 3Q2018. The Hang Seng Index fell 3.2% in the first half of 2018 and has also remained volatile in 3Q 2018. Looking forward, the outlook of the equity markets, in particular China and Hong Kong, remains uncertain depending on China-US trade negotiations and the final year corporate results.

### *Comments*

In 2010s, Singapore introduced a series of cooling measures to property market, which had shown successful results. However, property prices in Singapore have seen increases starting from the second half of 2017 while the number of uncompleted private residential units launched in 2017 amounted to 6,020, representing a drop of 23.6% as compared to the prior year. The pipeline supply of private residential units is estimated to be, on average, 7,916 units per year in 2019-2021. In July 2018, new measures including higher stamp duty rates for buyers and tougher loan-to-value limits for buyers have been introduced to curb the property prices. In view of the historical property price trend after implementation of the previous cooling measures in 2010s and the newly introduced measures in July 2018, the property prices in Singapore are anticipated to be under pressure in the short to medium term.

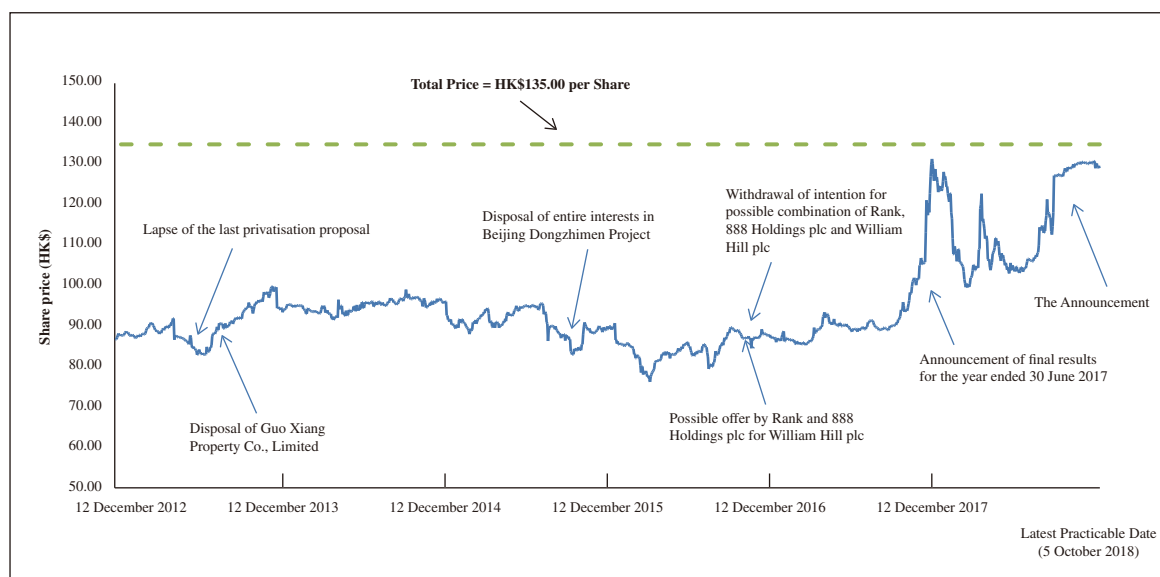
Guoco reported significant decrease in segment profit from the principal investment division from HK\$3,781.3 million for the year ended 30 June 2017 to HK\$172.3 million for the year ended 30 June 2018 due to the adverse mark-to-market fair valuation on the investment portfolio. About half of the investment portfolio (excluding BEA) is invested in China and Hong Kong. The Shanghai and Shenzhen stock markets dropped significantly in the first half of 2018 and continued to fall through 3Q2018. The Hong Kong stock market has also been volatile since the beginning of 2018. In view of the ongoing trade tensions between the U.S. and the PRC as well as the slowdown in the PRC's economic momentum as a result of the government's deleveraging efforts, we concur with the Directors that its principal investments results would remain volatile.

5. Analysis of market price of the Shares

(a) *Historical price performance compared to the Total Price of HK\$135 per Scheme Share*

On 12 December 2012, the Offeror and Guoco announced the privatisation proposal by way of voluntary unconditional cash offer at HK\$88 per Share. On 23 April 2013, they further announced a voluntary unconditional cash offer at HK\$88 and a voluntary conditional cash offer at HK\$100 in parallel, with the latter conditional upon the privatisation condition being fulfilled. The privatisation proposal lapsed in May 2013. The Share price performance since the initial announcement of last privatisation proposal (i.e. 12 December 2012) is in our view useful and relevant for the Shareholders in considering the current Proposal. Set out below is a summary of the closing prices of the Shares from 12 December 2012, being the initial announcement date of the last privatisation proposal, up to and including the Latest Practicable Date (the “**Review Period**”):

**FIGURE 5: SHARE PRICE CHART**



During the Review Period, the Shares closed between HK\$76.2 per Share and HK\$131.3 per Share. Following the lapse of the last privatisation proposal in May 2013, the Share price closed below HK\$100, being the last offer price (on the basis that the privatisation condition would be fulfilled), until 30 August 2017. The Shares mostly closed between HK\$80-100 per Share for the majority of the Review Period before surging past HK\$100 in August 2017, and reaching a closing high of HK\$131.3 per Share in October 2017 before retreating to the HK\$100 level by the end of 2017. Thereafter, the Shares closed mostly around the HK\$100-120 per Share range in the first half of 2018, and closed at HK\$118 per Share on 29 June 2018, being the Last Trading Day.

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Guoco announced two notifiable transactions during the Review Period – the disposal of Guo Xiang Property Co., Limited in August 2013 and the disposal of entire interests in Beijing Dongzhimen Project in August 2015. The announcement of the disposal of Guo Xiang Property Co., Limited was made a few months after the last privatisation proposal lapsed in May 2013, following which the Shares approached the HK\$100 level towards the end of 2013, and remained mostly between HK\$90-100 thereafter. The Share price was on a downward trend prior to the announcement of the disposal of the Beijing Dongzhimen Project in August 2015, and eventually dropped to a low of HK\$76.2 on 12 February 2016. The Share price then gradually recovered the HK\$90 level before Guoco announced the possible offer by Rank and 888 Holdings plc to William Hill plc on 25 July 2016 for the proposed combination of the three London-listed companies to create the United Kingdom’s largest multi-channel gambling operator. The announcement on 19 August 2016 that the proposal was withdrawn as the board of William Hill plc rejected the proposal did not significantly affect the Share price, which traded mostly between HK\$85-90 for the remainder of 2016 and remained close to HK\$90 in the first half of 2017.

The announcement of the final results for the year ended 30 June 2017 was released on 29 August 2017, and the Guoco Group reported a net profit attributable to the Shareholders of HK\$6.1 billion for the year compared to HK\$3.1 billion in the prior year, which was mainly attributable to the improvement in the performance of the principal investment segment and the increase in valuation surplus on investment properties. As set out above, the Shares closed above HK\$100 per Share the day following the results announcement, and eventually reached a closing high of HK\$131.3 per Share in October 2017 before falling back to the HK\$100 level by the end of 2017. We have discussed this movement with the management of Guoco Group and they are unaware of the reason for such fluctuation in the Share price other than the results announcement.

Moving closely in line with the Hang Seng Index as illustrated in Figure 6 below, the Share price rose to close at HK\$122.7 on 24 January 2018 before falling to a close of HK\$103.8 by 12 February 2018, and closed mainly between HK\$105-110 in the following month. The Shares saw an upward trend prior to the Announcement and closed at HK\$118 per Share on 29 June 2018, being the Last Trading Day.

The Share price surged to HK\$127.2 on 3 July 2018, being the first trading day following the Announcement. The Shares edged gradually higher and closed at HK\$130 on 24 August 2018. Guoco announced its final results on 3 September 2018 and the Shares closed at HK\$130.5 on the following day. As at the Latest Practicable Date, the Shares closed at HK\$129.

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In summary, a comparison of the Total Price of HK\$135 per Scheme Share with the recent closing prices of the Shares is set out as follows:

**TABLE 8: SHARE PRICE COMPARISONS**

	<b>Total Price of HK\$135</b>		Notional Scheme Consideration of HK\$103.00 <sup>(1)</sup>	
	<b>Volume weighted average closing price (“VWAP”) of the Shares</b>		Adjusted VWAP of the Shares <sup>(2)</sup>	
		<b>Premium</b>		<b>Premium</b>
Last Trading Day	<b>HK\$118.00</b>	<b>14.4%</b>	HK\$86.00	19.8%
7-day	<b>HK\$115.49</b>	<b>16.9%</b>	HK\$83.49	23.4%
30-day	<b>HK\$114.66</b>	<b>17.7%</b>	HK\$82.66	24.6%
60-day	<b>HK\$109.99</b>	<b>22.7%</b>	HK\$77.99	32.1%
90-day	<b>HK\$108.88</b>	<b>24.0%</b>	HK\$76.88	34.0%
180-day	<b>HK\$114.52</b>	<b>17.9%</b>	HK\$82.52	24.8%
Latest Practicable Date	<b>HK\$129.00</b>	<b>4.7%</b>	HK\$97.00	6.2%

*Notes:*

- The comparison of the notional Scheme Consideration with the adjusted VWAP of the Shares is for illustrative purpose only.

The notional Scheme Consideration of HK\$103.00 (the “**Notional Scheme Consideration**”) is calculated based on the Total Price of HK\$135 per Scheme Share deducted by the notional Cash Alternative Amount of HK\$32.00 per Scheme Share (the “**Notional Cash Alternative Amount**”), which equates to 0.8847 multiplied by a notional VWAP Price per HLF Share of HK\$36.17 (based on the last 14 Malaysian Trading Days ending on the Latest Practicable Date at the Distribution Exchange Rates as at 9:00 a.m. on the Latest Practicable Date).

- The adjusted VWAP of the Shares are calculated based on the respective VWAP of the Shares deducted by the Notional Cash Alternative Amount of HK\$32.00 per Scheme Share.

The Total Price of HK\$135.00 per Share represents premia of about 14-24% over the Share price on the Last Trading Day and the closing VWAP of the Shares for the 7, 30, 60, 90 and 180 trading days before the Announcement. We consider that the Share price following the Announcement has been largely affected by the terms of the Proposal and the Scheme.

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*(b) Trading liquidity of the Shares*

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of Guoco from the start of 2017 to the Latest Practicable Date:

**TABLE 9: TRADING LIQUIDITY OF THE SHARES**

	<b>Monthly total trading volume of the Shares</b>	<b>Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)</b>	<b>Percentage of the monthly total trading volume to the public float (Note 2)</b>
<b>2017</b>			
January	325,237	0.10%	0.39%
February	419,800	0.13%	0.51%
March	241,720	0.07%	0.29%
April	211,448	0.06%	0.26%
May	275,566	0.08%	0.33%
June	524,460	0.16%	0.63%
July	388,765	0.12%	0.47%
August	951,100	0.29%	1.15%
September	2,200,849	0.67%	2.66%
October	2,172,079	0.66%	2.62%
November	1,081,854	0.33%	1.31%
December	761,876	0.23%	0.92%
<b>2018</b>			
January	1,216,173	0.37%	1.47%
February	319,584	0.10%	0.39%
March	676,471	0.21%	0.82%
April	609,999	0.19%	0.74%
May	552,095	0.17%	0.67%
June	781,325	0.24%	0.94%
July	2,261,028	0.69%	2.73%
August	1,387,470	0.42%	1.68%
September	706,256	0.21%	0.85%
From 1 October 2018 to the Latest Practicable Date	292,852	0.09%	0.35%

*Source: Bloomberg and the Stock Exchange website*

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*Notes:*

1. The calculation is based on the monthly total trading volumes of the Shares divided by the total issued share capital of Guoco as at the Latest Practicable Date.
2. The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares in the public float of 82,806,539 as at the Latest Practicable Date.

Based on the above table, save for the surges in trading in September and October 2017 following the announcement of final results for the year ended 30 June 2017 on 29 August 2017 and in July and August 2018 following the Announcement, in our view the liquidity of the Shares was generally thin during the period. Close to 72% of the Shares are held by the Offeror, while the Committed Shareholders and First Eagle Investment Management, LLC have reported their interests of approximately 9% and 7% of the Shares since 2013 and 2011 respectively, which may have limited the liquidity of the Shares in the open market. Any sale of a meaningful number of Shares in the market is likely to adversely affect the share price, and therefore the Proposal facilitates an orderly exit for Scheme Shareholders at a fixed price.

**(c) Comparison of the movements of the Shares and the Hang Seng Index**

Set out below is the movement of the closing price of the Shares and the Hang Seng Index during the Review Period:

**FIGURE 6: MOVEMENTS OF THE SHARES AND THE HANG SENG INDEX**



As shown in the above chart, the Share price moved closely in line with the Hang Seng Index in 2013-2017. Out-performance of Share price is seen in September and October 2017 and in the one month before the Announcement, the reasons for which the management of Guoco is not aware. The generally close correlation between the Hang Seng Index and the Share price may be because Guoco's announced profitability is significantly affected by its principal investment business which is mainly invested in listed securities as discussed in section 3 above, and because much of its other businesses are held through listed subsidiaries, although the listings are not in Hong Kong.

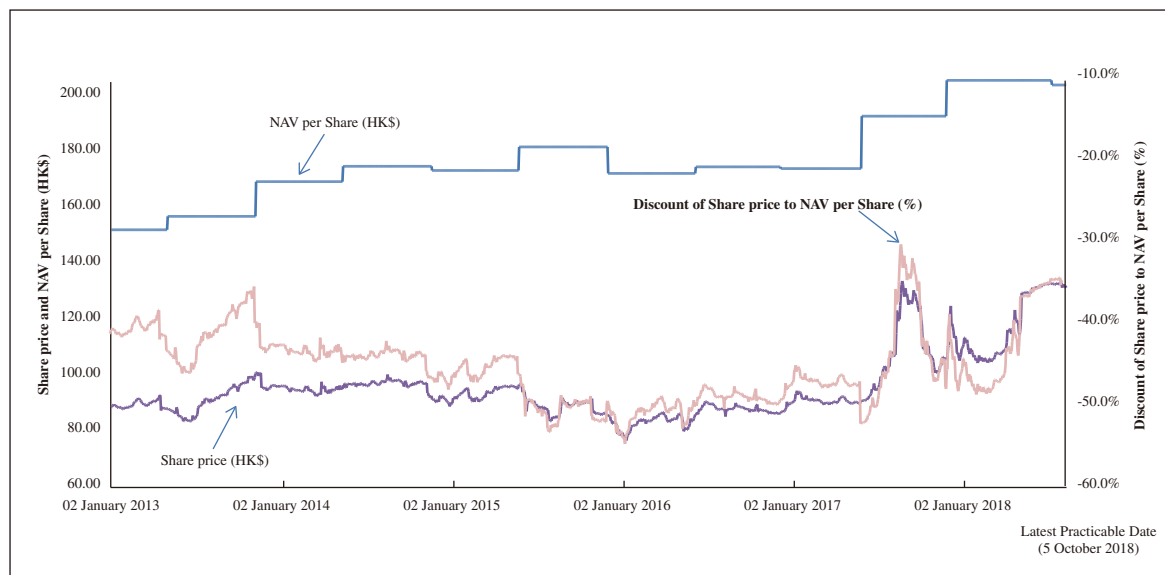
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As illustrated in the above chart, the Share price of Guoco somewhat outperformed the Hang Seng Index in 2013-2014 following the last privatisation offer. Thereafter, the Share price moved closely in line with the Hang Seng Index throughout 2015-2017, save for September and October 2017 where the Share price deviated from the trend of the Hang Seng Index. The net profit attributable to the Shareholders for the year ended 30 June 2017 announced at the end of August 2017 amounted to HK\$6.1 billion, up 98% as compared to HK\$3.1 billion for the previous year. The Share price performance was consistent with the trend of the Hang Seng Index in 2018 until about a month before the Announcement, when the Share price began to outperform the Hang Seng Index.

The recent over-performance is, in our opinion, due to the Announcement. The Hang Seng Index fell about 3.2 percent in the first half of 2018, and has remained volatile in the second half of 2018 as investor sentiment has been affected by the trade tensions between the U.S. and the PRC and lack of confidence in emerging markets. Deleveraging efforts by the PRC government have imposed more stringent restrictions on both domestic and outbound investments, which may continue to hinder global economic growth. As a result, the stock market may continue to be volatile and face further downward pressure in the near future.

### (d) *Discount of Share price to NAV during a 5-year period*

**FIGURE 7: MOVEMENTS OF THE NAV PER SHARE AND THE DISCOUNT OF SHARE PRICE TO NAV PER SHARE**



Guoco reports its NAV per Share by way of interim and final results announcement twice a year published 2 to 3 months after the year/period end date. During the Review Period, we note that the Share price has not moved closely in line with the NAV per Share, which has generally been on an uptrend as illustrated in the above chart. The movement of the Share price, in our view, has been more closely correlated with the Hang Seng Index as shown in Figure 6 than with the NAV per Share.



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The Shares traded at a discount to the NAV per Share throughout the Review Period (ended on the Last Trading Day) ranging from approximately 30.2% to 54.8%, with an average of approximately 45.6%. As shown in the chart above, save for brief periods including the surge in Share price in September and October 2017 following the announcement of final results for the year ended 30 June 2017 on 29 August 2017, the Shares traded at a deep discount of over 40% in 1,249 out of 1,362 trading days during the Review Period (ended on the Last Trading Day). The discount to NAV per Share reached over 50% in close to 200 trading days during this period.

The recent decline in the discount to the NAV per Share to below 40% is largely due to the recent over-performance of the Share price as a result of the Announcement.

### *Comments*

**The Total Price of HK\$135.00 per Share represents premia of about 14-24% over the Share price on the Last Trading Day and the closing VWAP Prices for the 7, 30, 60, 90 and 180 trading days before the Announcement.** During the five year period before the Announcement, the Shares have closed mostly between HK\$80-100 per Share in 2013-2017 before moving above HK\$100 per Share the day following the results announcement for the year ended 30 June 2017 and reaching a closing high of HK\$131.3 per Share in October 2017. Thereafter, the Shares closed mostly between HK\$100 per Share and HK\$120 per Share in the first half of 2018 before the Announcement. **The Share price has not exceeded the Total Price of HK\$135.00 per Share during the Review Period.**

**The Shares have not, in our opinion, been actively traded in the year before the Announcement which makes the opportunity to exit at a fixed cash price a potentially valuable one (depending on the prevailing market price).**

As set out in Figure 7 above, during most of the Review Period, the Shares have traded at a substantial discount to NAV, ranging from about 40% to 50%. We note that the Share price has not moved closely in line with the NAV per Share, which has generally been on an uptrend during the Review Period. **In our view, there is a closer correlation between the movement of the Share price with that of the Hang Seng Index, as set out in Figure 6 above. This may be because of (i) the significant principal investment business of Guoco (26.6% of total assets as at 30 June 2018); and (ii) its other principal businesses being held through listed subsidiaries, even though those subsidiaries are not listed in Hong Kong. The recent over-performance of the Shares is, in our opinion, due to the Announcement. Against the backdrop of the recent stock market volatility, Shareholders should be aware that the current Share price may not be sustainable if the Proposal and the Scheme lapse. In those circumstances, assuming the Share price would resume its correlation with the Hang Seng Index in the absence of the Proposal, the Share price would retreat to the approximate HK\$100 level as illustrated in Figure 6 above.**

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**6. Illustration of value of the Guoco Group based on market prices of listed entities**

Because of the high proportion of Guoco’s assets which are listed and the correlation we have observed between the price performance of the Shares and the Hang Seng Index as described above, we have performed a calculation of the valuation of the Guoco Group based on the sum of (i) the market value of the shares in its listed subsidiaries and associates and BEA; and (ii) book value of other assets/liabilities of Guoco (excluding all Guoco’s assets and liabilities associated with the above listed subsidiaries/associates and BEA) as at 30 June 2018. We have discussed with the Guoco management the latest financial position of Guoco Group and have concluded that there is no material change of the value of other assets/liabilities (except for those held by GuocoLand, GL, Rank and HLFG and shares of BEA held by Guoco) since 30 June 2018.

**TABLE 10: CALCULATION OF MARKET PRICE-RELATED VALUE**

	<b>As at 30 June 2018 (HK\$'million)</b>	<b>As at the Latest Practicable Date<sup>(1)</sup> (HK\$'million)</b>
Market value of the shares of the subsidiaries and associates		
– GuocoLand	9,024	8,251
– GL	4,178	3,949
– Rank	4,021	3,618
– HLFG	10,184	10,568
Market value of the shares of BEA held by Guoco	12,455	11,495
Book value of other assets and liabilities of Guoco (excluding all Guoco’s assets and liabilities associated with the above listed subsidiaries/associates and shares of BEA held by Guoco)	20,929 <sup>(2)</sup>	20,929 <sup>(2)</sup>
<b>Market Price-related Value (as defined below)</b>	<b>60,791</b>	<b>58,810</b>
<b>Per Share (HK\$)</b>	<b>184.7</b>	<b>178.7</b>
<b>Total Price (HK\$) under the Scheme</b>	<b>135.0</b>	<b>135.0</b>
<b>Discount to the Market Price-related Value per Share</b>	<b>26.9%</b>	<b>24.5%</b>
Market Price-related Value (excluding HLFG) <sup>(3)</sup>	50,607	48,242
Per Share (HK\$) <sup>(3)</sup>	153.8	146.6
Notional Scheme Consideration (HK\$) <sup>(3)</sup>	103	103
Discount to the Market Price-related Value (excluding HLFG) per Share <sup>(3)</sup>	33.0%	29.7%

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*Notes:*

- (1) Market values based on (i) the respective average closing prices as quoted on the relevant stock exchanges for the 30 consecutive trading days up to and including the Latest Practicable Date and (ii) the respective exchange rates against HK\$ as of the Latest Practicable Date.
- (2) Book value of other assets and liabilities were as at 30 June 2018 (as extracted from the annual report of Guoco for the year ended 30 June 2018), and adjusted for the valuation of properties directly held by Guoco as at 30 June 2018 as provided by the management of Guoco.
- (3) Comparison of the Notional Scheme Consideration with the Market Price-related Value (excluding HLFG) per Share is for illustrative purpose only.

Based on the market value of the shares of the listed subsidiaries and associate and BEA and the book value of other assets and liabilities not held by its listed subsidiaries/associate (excluding shares held by Guoco) as at 30 June 2018, the aggregate market value (the “**Market Price-related Value**”) of Guoco as at 30 June 2018 and as at the Latest Practicable Date was approximately HK\$60.8 billion and HK\$58.8 billion respectively, equivalent to approximately HK\$184.7 and HK\$178.7 per Share respectively.

*Comments*

Given the Distribution forms part and parcel of the Proposal as the Scheme and the Distribution are inter-conditional, Scheme Shareholders would not only receive the Scheme Consideration but also the Cash Alternative Amount and/or the Scrip Alternative Shares (depending on such Scheme Shareholders’ election) if the Proposal becomes unconditional. Therefore, the Total Price, which, in our view, is more appropriate as compared to the Scheme Consideration, has been used for our analysis hereinafter and in the following section.

Guoco has a layered investment holding structure, with the majority of its business activities being carried out by a number of listed subsidiaries and associates. As shown in Table 10, the market value of the shares of GuocoLand, GL, Rank, HLFG and BEA accounts for about two-thirds of the Market Price-related Value, and over 50% of the remaining one-third is principal investments (other than BEA). As such, over 80% of the underlying assets of the Guoco Group are listed shares which can be easily referenced to market prices and have a high correlation to public equity market trends and volatility. In light of the close correlation of the Share price with the Hang Seng Index as shown in Figure 6, in our view, the fair value of Guoco can be usefully compared with the Market Price-related Value, which represents the aggregate market value of these underlying listed entities. **Share price factors are captured in the Market Price-related Value, but are not reflected in the Reassessed NAV, which is based on the book value as at 30 June 2018 supplemented by up-to-date independent property valuations as set out in the Valuation Reports. We consider the above Market Price-related Values per Share of HK\$178.7 – HK\$184.7 are a useful and appropriate indicator of the market valuation of Guoco Group. The Total Price under the Proposal represents a discount of approximately 25-27% to the Market Price-related Value per Share.**

In addition, as aforementioned above, the share price of BEA, the largest single investment of Guoco’s principal investment portfolio, has declined by over 11% since 30 June 2018 up to the Latest Practicable Date, which is equivalent to a decrease of approximately HK\$4.1 in Guoco’s NAV per Share based on Guoco’s shareholding in BEA. Guoco’s NAV could also be impacted by the adverse mark-to-market fair valuation on the investment portfolio of Guoco’s principal investment division as the equity market continues to be volatile. Furthermore, the financial position of Guoco is also vulnerable to foreign currency exposure, as approximately 45% of Guoco’s NAV as at 30 June 2018 was attributable to companies with operating currencies in RM, British pound sterling, Singaporean dollar and Renminbi, which have all weakened against Guoco’s reporting currency of US\$ since 30 June 2018.

**7. Privatisation precedents**

We have compared the Proposal to other privatisation proposals in Hong Kong. Due to the volatility of Guoco Group’s profits as discussed in section 3(a) above and the fact that close to half of the Guoco Group’s total assets as at 30 June 2018 was attributable to property development and investment, Hong Kong listed asset-backed businesses, for which discount to net assets is a commonly used approach for valuation, have been selected to form the basis of the Privatisation Precedents (as defined below). We have identified all the successful privatisation proposals (the “**Successful Privatisation Precedents**”) and failed privatisation proposals (the “**Failed Privatisation Precedents**”) in the past 10 years (from 2009 to the Latest Practicable Date) involving Hong Kong listed asset-backed businesses (the “**Privatisation Precedents**”), which are considered to be a fair and representative sample. We have performed a comparison of premiums over prevailing market prices at which the Privatisation Precedents had been priced and the level of discount to consolidated adjusted NAV per share at which the Privatisation Precedents were made. The results are set out below.

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**TABLE 11: PRIVATISATION PRECEDENTS**

Date of initial announcement	Company name	Discount of offer/cancellation price to the consolidated adjusted NAV	Principal business activities	Premium of offer/cancellation price over the volume weighted average share price prior to the privatisation proposal			
				10 trading days	30 trading days	90 trading days	180 trading days
Successful Privatisation Precedents <sup>(1) (2)</sup>							
30 March 2016	Dalian Wanda Commercial Properties Co Ltd (stock code: 3699)	(10.8%)	Property leasing and management, development and sales of properties and development and operation of luxury hotels	39.3%	48.7%	31.1%	12.8%
6 January 2016	New World China Land Ltd (stock code: 917)	(29.4%)	Development of property projects for sale, development and management of investment properties for rental purposes, and operation of resort and hotel projects	30.0%	41.6%	51.5%	54.8%
20 January 2011	Shanghai Forte Land Co. Ltd. (stock code: 2337)	(26.2%)	Development and sale of high quality commercial and residential properties in the PRC	25.0%	32.1%	40.6%	47.7%
	<b>Lowest discount</b>	<b>(10.8%)</b>	<b>Highest</b>	<b>39.3%</b>	<b>48.7%</b>	<b>51.5%</b>	<b>54.8%</b>
	<b>Highest discount</b>	<b>(29.4%)</b>	<b>Lowest</b>	<b>25.0%</b>	<b>32.1%</b>	<b>31.1%</b>	<b>12.8%</b>
	<b>Average</b>	<b>(22.1%)</b>	<b>Average</b>	<b>31.4%</b>	<b>40.8%</b>	<b>41.1%</b>	<b>38.4%</b>
Failed Privatisation Precedents <sup>(3) (4) (5)</sup>							
12 December 2012	Guoco <sup>(6)</sup>	(40.1%)	Property investment, development and management of residential, commercial and business park projects	42.4%	42.6%	46.4%	53.8%
8 May 2012	Frasers Property (China) Limited (stock code: 535)	(46.7%)	Property investment, development and management of residential, commercial and business park projects	53.9%	55.6%	62.8%	65.7%
	<b>Lowest</b>	<b>(40.1%)</b>	<b>Highest</b>	<b>53.9%</b>	<b>55.6%</b>	<b>62.8%</b>	<b>65.7%</b>
	<b>Highest</b>	<b>(46.7%)</b>	<b>Lowest</b>	<b>42.4%</b>	<b>42.6%</b>	<b>46.4%</b>	<b>53.8%</b>
	<b>Average</b>	<b>(43.4%)</b>	<b>Average</b>	<b>48.2%</b>	<b>49.1%</b>	<b>54.6%</b>	<b>59.8%</b>
<b>Total Price</b>	<b>HK\$135.00 per Share</b>	<b>(35.3%)<sup>(7)</sup></b> <b>(24.5%)<sup>(8)</sup></b>		<b>15.3%</b>	<b>17.7%</b>	<b>24.0%</b>	<b>17.9%</b>

*Source: Bloomberg and the filings of the relevant companies on the Stock Exchange's website*

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*Notes:*

- (1) The proposed privatisation of Goldin Properties Holdings Limited (stock code: 283), which was initially announced in March 2017, has been excluded from the list of Successful Privatisation Precedents, as it is considered to be an outlier with its offer price representing a premium of 28.6% over the consolidated adjusted NAV, whereas the offer/cancellation prices of the other Successful Privatisation Precedents all represented discounts to their respective consolidated adjusted NAV.
- (2) The proposed privatisation of Wheelock Properties Limited (stock code: 49), which was initially announced in April 2010, has been excluded from the list of Successful Privatisation Precedents, as it is considered to be principally a development group with its offer price representing premiums of 150.5-157.0% over the prevailing market prices, which are substantially higher than those of the other Successful Privatisation Precedents.
- (3) The proposed privatisation of Future Land Development Holdings Limited (stock code: 1030), which was initially announced in July 2017, has been excluded from the list of Failed Privatisation Precedents, as it is considered to be an outlier with its cancellation price representing a premium of 17.0% over the consolidated adjusted NAV, whereas the offer/cancellation prices of the other Failed Privatisation Precedents all represented discounts to their respective consolidated adjusted NAV.
- (4) The proposed privatisation of New World China Land Limited (stock code: 917), which was initially announced in March 2014, has been excluded from the list of Failed Privatisation Precedents, as it is considered to be an outlier with 99.8% of votes cast by independent shareholders at the court meeting being in favour of the scheme, but it ultimately failed solely due to the “head count” test where the scheme was effectively voted down by independent shareholders representing less than 0.2% of shares held by all of the independent shareholders.
- (5) The proposed privatisation of Glorious Property Holdings Limited (stock code: 845), which was initially announced in November 2013, has been excluded from the list of Failed Privatisation Precedents, as it is considered to be an outlier with 96.9% of votes cast by independent shareholders at the court meeting being in favour of the scheme, but it ultimately failed solely due to the “head count” test where the scheme was effectively voted down by independent shareholders representing less than 2% of shares held by all of the independent shareholders.
- (6) The premiums over the prevailing market prices and the discount to consolidated adjusted NAV are calculated based on the enhanced offer price of HK\$100 (on the basis that the privatization conditions would be fulfilled).
- (7) Calculated based on the Reassessed NAV per Share of HK\$208.8 as discussed in section 3 above.
- (8) Calculated based on the Market Price-related Value per Share of HK\$178.7 as at the Latest Practicable Date as discussed in section 6 above.

**(i) *Premiums over the prevailing share prices***

As set out in Table 11, we noted that there are 5 Privatisation Precedents. The average premiums in the three Successful Privatisation Precedents ranged from 25.0% to 39.3%, 32.1% to 48.7%, 31.1% to 51.5% and 12.8% to 54.8% over their respective 10-day, 30-day, 90-day and 180-day volume weighted average share prices with averages of 31.4%, 40.8%, 41.1% and 38.4% respectively. The average premiums of the two Failed Privatisation Precedents ranged from 42.4% to 53.9%, 42.6% to 55.6%, 46.4% to 62.8% and 53.8% to 65.7% over the 10-day, 30-day, 90-day and 180-day volume weighted average share prices with averages of 48.2%, 49.1%, 54.6% and 59.8% respectively.

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The premiums offered by the Total Price over the 10-day, 30-day and 90-day average VWAP of 15.3%, 17.7% and 24.0% are below each of the averages of the Privatisation Precedents, while the premium offered by the Total Price over the 180-day average VWAP of 17.9% was within the range but below the average of the Successful Privatisation Precedents. However, as noted in Figure 6, the VWAP listed above were calculated during a period where the Share price's close correlation with the Hang Seng Index had broken down. Also as noted above, the average premiums of the Failed Privatisation Precedents are generally higher than those of the Successful Privatisation Precedents, which may indicate that the premium over market price may sometimes not be the determining factor for shareholders when considering the merits of a privatisation proposal. We therefore consider some caution is necessary in interpreting these results, as discussed further below.

**(ii) *Discount to the Reassessed NAV per Share and the Market Price-related Value per Share***

The discounts to consolidated adjusted NAV per share in the three Successful Privatisation Precedents as represented by their respective offer prices ranged from 10.8% to 29.4% with an average discount of 22.1%. The discount to consolidated adjusted NAV per share of the Failed Privatisation Precedents as represented by the offer/cancellation price ranged from 40.1% to 46.7% with an average discount of 43.4%.

The Total Price under the Proposal represents a 35.3% discount to the Reassessed NAV per Share, which is 5.9 percentage points higher than the lower end of the Successful Privatisation Precedents (i.e. 29.4%) and 4.8 percentage points lower than the lowest discount of the Failed Privatisation Precedents (i.e. 40.1%), and a 24.5% discount to the Market Price-related Value per Share, which is within the range of the Successful Privatisation Precedents and 15.6 percentage points lower than the lowest discount of the Failed Privatisation Precedents (i.e. 40.1%).

*Comments*

Scheme Shareholders should be aware that the Privatisation Precedents, while the closest we could find, are companies engaged principally in the asset-backed businesses. On this basis, we were able to identify asset-backed companies as set out above, which happened to be all property companies, that conducted privatisation proposals in the past 10 years. It is worthwhile noting that the above companies differ from the Guoco Group in terms of, for example, mix of business activities, corporate structure, size and geographical spread of assets and operations.

There are a number of reasons why the premium over market price and the discount to NAV represented by the terms of the Proposal may differ from the Privatisation Precedents.

As discussed in the section headed “5. Analysis of market price of the Shares” above, the Share price tracked the Hang Seng Index closely in 2015-2017. However, the situation changed during the 10 months period before the Announcement when the Share price outperformed the Hang Seng Index, in particular in September and October 2017 and June 2018. Assuming the Share price had tracked the movements of the Hang Seng Index for the one month before the Announcement, the Share price would range from HK\$101 to HK\$112 with a 30-day average price of about HK\$107, over which the Total Price represents a 26.2% premium.

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The combination of businesses/assets of the Guoco Group and the way they are held involving listed subsidiaries are, in our opinion, unique among Hong Kong listed companies. This is in contrast to the Privatisation Precedents, none of which owns its assets through listed subsidiaries. Of all the Privatisation Precedents, only Shanghai Forte had a corporate structure involving a listed vehicle, which was only held as to approximately 19% by Shanghai Forte and was insignificant in terms of total assets. In other words, the subject companies of the Privatisation Precedents have direct control over their underlying assets (or majority of assets in case of Shanghai Forte) and their Reassessed NAVs could be considered as the value realisable by the subject companies. With no direct control over the underlying assets held by the listed subsidiaries, the realisable value of Guoco would then be value of the listed shares held by it, that is, the Market Price-related Value. Comparing the Reassessed NAV of Guoco with other Privatisation Precedents, in our view, would not be appropriate.

**As mentioned in the section headed “6. Illustration of value of the Guoco Group based on market prices of listed entities”, we consider that the Market Price-related Values per Share would represent a useful and appropriate indicator of the market valuation of Guoco, more so in this case than the Reassessed NAV per Share, as it represents the aggregate market value of Guoco’s listed investments and underlying listed entities directly held by Guoco and takes into account the conditions of the equity market up to the Latest Practicable Date. The Total Price represents a discount of 24.5% to the Market Price-related Value per Share, which is within the range of the Successful Privatisation Precedents and 15.6 percentage points lower than the lowest discount of the Failed Privatisation Precedents (i.e. 40.1%).**

### 8. The Distribution

Under the Proposal, subject to the Scheme having become binding and effective in accordance with its terms, Guoco will pay a special dividend (to be effected by way of a distribution in-specie) of up to 291,117,141 HLFNG Shares, representing approximately 25.37% of HLFNG’s issued share capital, to the Shareholders whose names appear on the Register on the Entitlement Record Date. This is Guoco’s entire holding in HLFNG.

#### *Election*

Subject to the Scheme having become binding and effective in accordance with its terms, through an election mechanism, Shareholders, other than the Non-Qualifying Shareholders, will be able to receive their entitlements under the Distribution either:

- in cash form (the *Cash Alternative*); and/or
- in scrip form (the *Scrip Alternative*).



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## PART VII – LETTER FROM SOMERLEY

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Each Shareholder, other than a Non-Qualifying Shareholder, will be entitled to irrevocably elect to receive:

- (a) a combination of the Cash Alternative and the Scrip Alternative for his, her or its Shares;
- (b) the Cash Alternative for all of his, her or its Shares; or
- (c) the Scrip Alternative for all of his, her or its Shares.

**The Offeror has confirmed that it will elect to receive the Scrip Alternative under the Distribution in respect of all of its Shares, subject to the Scheme and the Distribution having become binding and effective in accordance with their respective terms.**

### *Cash Alternative*

Those Scheme Shareholders electing to receive the Cash Alternative will be entitled to receive a Total Price of HK\$135 per Scheme Share comprising:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Cash Alternative Amount* (under the Distribution) to be arranged by the Offeror (i.e. the amount per Share equal to 0.8847 HLF Share multiplied by the VWAP Price).

**The Scheme Consideration, together with the Cash Alternative Amount (if a Scheme Shareholder elects for the Cash Alternative), will always equal to the Total Price. Hence, those Scheme Shareholders electing to receive the Cash Alternative for all of his, her or its Shares will be entitled to receive a Total Price of HK\$135 per Scheme Share under the Proposal.**

### *Scrip Alternative*

Those Scheme Shareholders, other than the Non-Qualifying Shareholders, electing to receive the Scrip Alternative will be entitled to receive:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Scrip Alternative Shares* (under the Distribution) (i.e. 0.8847 HLF Share for every one Share, rounded down to the nearest whole number).

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For Shareholders who are considering to elect for the Scrip Alternative for some or all of his, her or its Shares under the Distribution, the following factors should be taken into consideration:

(a) *Analysis of the financial information of HLFG*

HLFG is an investment holding company and owns 64.4% interest in HLB and 81.3% interest in HLCB, both listed on the Main Market of Bursa Malaysia Securities Berhad, and 100% in HLA Holdings Sdn Bhd. HLFG has been admitted to, and remains listed on, the Official List of Bursa Malaysia Securities Berhad since 27 November 1969. HLFG group is a diversified financial services group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers. The principal activities of the significant subsidiaries consist of commercial banking business and Islamic banking services under HLB group, life insurance and family takaful business under the insurance holding company HLA Holdings Sdn Bhd, investment banking, futures and stockbroking and asset management business under HLCB.

(i) Financial performance of HLFG

Set out below is a summary of the statements of income of HLFG for the three years ended 30 June 2018 as extracted from the annual reports of HLFG for the year ended 30 June 2017 and for the year ended 30 June 2018 respectively.

**TABLE 12: SUMMARY OF STATEMENTS OF INCOME OF HLFG**

	Year ended 30 June		
	2018	2017	2016
	<i>RM'million</i>	<i>RM'million</i>	<i>RM'million</i>
Revenue	5,351	5,035	4,543
Profit before tax	3,579	3,090	2,565
Net profit	2,895	2,317	2,064
Profit attributable to owners of the parent	1,907	1,507	1,359
Basic earnings per share (sen)	166.8	131.8	123.2
Net dividend per share (sen)	40.0	38.0	38.0

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HLFG has three core businesses: (i) commercial banking; (ii) insurance; and (iii) investment banking, stock broking and asset management.

For the year ended 30 June 2017, earnings per share increased by 7.0% to 131.8 sen from 123.2 sen for the year ended 30 June 2016, as HLFG Group achieved profit before tax of RM3,089.9 million, an increase of 20.5% compared to the prior year, with steady business momentum across all its core operating businesses. The commercial banking division recorded increase in profit before tax by 15.4% to RM2,748.3 million primarily due to higher revenue, while the profit before tax of the insurance division registered an increase of 71.0% to RM337.8 million mostly due to higher life fund surplus, higher revenue and lower impairment losses on securities. The investment banking, stock broking and asset management division also had an increase of 30.3% in profit before tax to RM84.0 million from higher contribution from the investment banking, stockbroking and asset management segments.

For the year ended 30 June 2018, earnings per share further increased by 26.6% to 166.8 sen, as HLFG Group achieved a record high profit before tax of RM3,578.6 million, an increase of 15.8% compared to the prior year, mainly due to higher contribution from the commercial banking and insurance divisions. The commercial banking division recorded an increase in profit before tax by 18.1% to RM3,246.3 million, mainly due to higher revenue and higher share of profit from Bank of Chengdu and Sichuan Jicheng Consumer Finance joint venture. The profit before tax of the insurance division increased slightly by 3.0% to RM348.0 million, as the higher revenue was offset by lower share of profit from associated company and higher allowance for impairment losses on securities.

Net dividend per share has been maintained at 38.0 sen for the two years ended 30 June 2016 and 2017, and increased to 40.0 sen for the year ended 30 June 2018.

(ii) Financial position of HLFG

HLFG's balance sheet was mainly made up of its commercial banking division under HLB. Set out below is a summary of the statements of financial position of HLFG, HLB and HLCB as at 30 June 2016, 30 June 2017 and 30 June 2018 as extracted from the annual reports of HLFG, HLB and HLCB for the year ended 30 June 2017 and for the year ended 30 June 2018 respectively.

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**TABLE 13: SUMMARY OF STATEMENTS OF FINANCIAL POSITION OF HLF, HLB and HLCB**

	<b>As at 30 June</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>RM'million</i>	<i>RM'million</i>	<i>RM'million</i>
<b>HLFG</b>			
Total assets	230,101	218,962	210,475
Total liabilities	203,421	193,930	187,297
Equity attributable to owners of the parent	17,804	16,609	15,341
Book value per share (RM)	15.55	14.52	13.42
<b>HLB</b>			
Total assets	202,891	195,553	189,828
Gross loans, advances and financing	129,069	125,147	120,605
Total liabilities	178,999	172,867	168,711
Customer deposits	157,414	155,233	148,524
Total equity	23,892	22,685	21,117
<b>HLCB</b>			
Total assets	4,552	4,264	4,149
Total liabilities	3,786	3,519	3,449
Total equity	766	745	700

HLFG's net book value per share rose by 8.2% from RM13.42 as at 30 June 2016 to RM14.52 as at 30 June 2017, and improved further by 7.1% to RM15.55 as at 30 June 2018, mainly on the back of HLB's strengthening balance sheet.

HLB's core business performance indicators remained positive, with gross loans growing by 3.8% year-on-year to RM125 billion as at 30 June 2017 led by growth in key segments of domestic retail, SMEs and international operations, while customer deposits increased by 4.5% year-on-year to RM155 billion as at 30 June 2017. This translates to a loan/deposit ratio of 80.6%, while its gross impaired loans ratio and loan impairment coverage were at 0.96 % and 96.0% respectively as at 30 June 2017. Driven by the key segments of mortgages and SME, gross loans and customer deposits both increased by 3.2% and 1.4% respectively year-on-year to RM129 billion and RM157 million as at 30 June 2018, while the loan/deposit ratio was 82.0%. HLB's gross impaired loans ratio and loan impairment coverage were at 0.87% and 89.0% respectively as at 30 June 2018.

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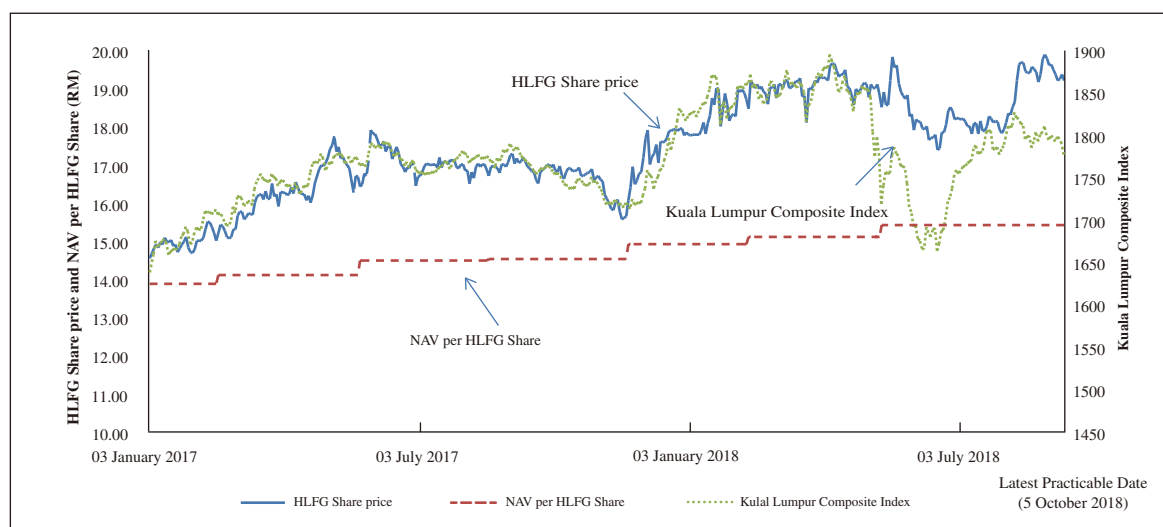
HLCB's shareholders' funds also rose by 6.4% from RM700 million as at 30 June 2016 to RM745 million as at 30 June 2017, and expanded further by 2.8% to RM766 million as at 30 June 2018. Over 70% of HLCB's total assets were investments in securities, which were RM3.0 billion, RM3.2 billion and RM3.5 billion as at 30 June 2016, 2017 and 2018 respectively. HLCB's total liabilities mainly consisted of deposits and placements of banks and other financial institutions, which were RM1.9 billion, RM2.2 billion and RM2.1 as at 30 June 2016, 2017 and 2018 respectively, as well as deposits from customers of RM1.0 billion, RM0.6 billion and RM1.1 billion as at 30 June 2016, 2017 and 2018 respectively.

(b) *Analysis of the market price of the HLFG Shares*

(i) Historical price performance of the HLFG Shares

Set out below is a summary of the closing prices of the HLFG Shares and comparisons to the NAV per HLFG Share and the Kuala Lumpur Composite Index from the start of 2017 to the Latest Practicable Date, which is considered to be relevant for Shareholders when deciding whether to take up any HLFG Shares:

**FIGURE 8: HLFG SHARE PRICE, NAV PER HLFG SHARE AND THE KUALA LUMPUR COMPOSITE INDEX**



As illustrated in Figure 8 above, the HLFG Share price has generally been on an upward trend and closed between RM14.54 and RM19.88 per HLFG Share during the review period with an average of RM17.42 per HLFG Share. As at the Latest Practicable Date, the HLFG Shares closed at RM19.20.

HLFG reports its NAV per HLFG Share by way of quarterly results announcement four times a year published around 2 months after the period end date. As illustrated in Figure 8 above, HLFG Share price has consistently traded above HLFG's book value per share during the review period. As further illustrated in Figure 8 above, HLFG Share price has generally moved in line with, and recently outperformed, the Kuala Lumpur Composite Index during the review period.

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(ii) Trading liquidity

Set out in the table below are the monthly total trading volumes of the HLFG Shares and the percentages of such monthly total trading volumes to the total issued share capital of HLFG from the start of 2017 to the Latest Practicable Date:

**TABLE 14: TRADING LIQUIDITY OF THE HLFG SHARES**

	<b>Monthly total trading volume of the HLFG Shares</b>	<b>Percentage of the monthly total trading volume of the Shares to the total issued Shares</b> <i>(Note 1)</i>
<b>2017</b>		
January	4,047,700	0.35%
February	3,532,700	0.31%
March	5,138,000	0.45%
April	2,712,300	0.24%
May	4,403,700	0.38%
June	3,559,200	0.31%
July	3,257,400	0.28%
August	2,226,800	0.19%
September	2,363,400	0.21%
October	2,034,300	0.18%
November	2,900,100	0.25%
December	3,228,000	0.28%
<b>2018</b>		
January	4,911,800	0.43%
February	6,865,900	0.60%
March	6,178,000	0.54%
April	2,646,900	0.23%
May	4,323,300	0.38%
June	6,059,800	0.53%
July	3,719,600	0.32%
August	3,698,300	0.32%
September	3,841,300	0.33%
From 1 October 2018 to the Latest Practicable Date	1,791,900	0.16%

*Source: Bloomberg*

*Notes:*

- The calculation is based on the monthly total trading volumes of the HLFG Shares divided by the total issued share capital of HLFG of 1,147,516,890 HLFG Shares as at the Latest Practicable Date.

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Based on the above table, in our view the liquidity of the HLFG Shares was generally thin during the period, with an average daily trading volume of approximately 195,411 HLFG Shares representing approximately 0.02% of the total issued share capital of HLFG Shares.

### *Comments*

The number of Scrip Alternative Shares (i.e. 0.8847 HLFG Shares) for every one Share under the Scrip Alternative was determined based on the Guoco Group's holding of 291,117,141 HLFG Shares as at the Latest Practicable Date, divided by the total of 329,051,373 Shares. Hence, the HLFG Shares held by Guoco will be distributed to the Shareholders in proportion to their shareholdings in Guoco under the Distribution.

The actual Scheme Consideration and the actual Cash Alternative Amount will be determined based on the actual VWAP Price per HLFG Share and will therefore, only be known at the end of the VWAP Period. The VWAP Price represents the volume weighted average closing price of the HLFG Shares throughout the VWAP Period (i.e. the 14 Malaysian Trading Day period ending on the date that is 16 days (or, if such date is not a Malaysian Trading Day, the first day preceding such date which is a Malaysian Trading Day) prior to the Court Meeting) and converted to HK\$ using the Distribution Exchange Rate. As at the Latest Practicable Date, the HLFG Share closed at RM19.20. From the start of 2017 to the Latest Practicable Date, the HLFG Share price has generally been on a steady upward trend as illustrated in Figure 8 above and closed between RM14.54 and RM19.88 per HLFG Share during the period with an average of RM17.42 per HLFG Share. The HLFG Share price has also consistently traded at a premium over the book value per HLFG Share and has generally moved in line with, and recently outperformed, the Kuala Lumpur Composite Index during the review period as further illustrate in Figure 8 above.

The relatively stable performance of the HLFG Shares may in some way be supported by the solid financial performances recorded in the last three financial years by HLFG, which also maintained a strong balance sheet with a growing book value per share. The dividend payout by HLFG to its shareholders has also remained steady at 38 sen per HLFG Share in 2014-2017 and increased further to 40 sen per HLFG Share for the year ended 30 June 2018, which translates to a yield of 2.1% based on HLFG's share price as at the Latest Practicable Date.

However, when considering whether to elect to receive the Scrip Alternative, Shareholders are reminded that the trading volume of the HLFG Shares has been generally thin during the review period as illustrated in Table 14 above, with an average daily trading volume of approximately 195,411 HLFG Shares representing approximately 0.02% of the total issued HLFG Shares. Following the Distribution, public spread of HLFG would increase by approximately 7% and may improve liquidity of the HLFG Shares.

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## PART VII – LETTER FROM SOMERLEY

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**As set out in the Explanatory Statement in the Scheme Document, a Shareholder must have an Eligible CDS Account on or before the Election Time in order to receive the Scrip Alternative Shares. A Shareholder is free to consult, contact or engage with other stockbrokers, banks or registered institutions of the Shareholder's choice regarding the opening of an Eligible CDS Account, and is advised to contact them as soon as possible and allow sufficient time (at least three weeks) to open an Eligible CDS Account and complete any necessary know-your-customer processes (if required) should the Shareholder wishes to elect for the Scrip Alternative in respect of some or all of his, her or its Shares.**

Assuming that the Scheme and the Distribution become binding and effective in accordance with their respective terms, a Shareholder will receive:

- (a) the Cash Alternative (but not the Scrip Alternative) for all of his, her or its Shares if the Shareholder has:
  - (i) not returned a Form of Election by the Election Time; or
  - (ii) returned a Form of Election which is not duly completed or executed in accordance with the instructions on it or contains inaccurate, incorrect, invalid or incomplete information or illegible writing or is otherwise not valid in accordance with the terms set out in the Scheme Document (including but not limited to the failure to provide an Eligible CDS Account or to provide complete and correct information of such Eligible CDS Account), save for the case mentioned in (b) below; or
- (b) the Scrip Alternative (but not the Cash Alternative) for all of his, her or its Shares, if the Shareholder has elected for a combination of the Cash Alternative and the Scrip Alternative but, in the Form of Election, such Shareholder has:
  - (i) specified a number of Shares for such election of the Scrip Alternative which is greater than the number of all of his, her or its Shares; or
  - (ii) not specified a number of Shares for such election of the Scrip Alternative.

**Further details of the Proposal (including the Distribution) and the summary of actions to be taken by the Shareholders are set out in the Explanatory Statement in the Scheme Document, which the Shareholders are urged to read in full.**



**VI. DISCUSSION OF THE PRINCIPAL FACTORS AND REASONS**

In forming our opinion and recommendation below, we have taken into account all the factors set out under the section headed “V. Principal factors and reasons considered” above, none of which can be considered in isolation. We would like to remind Scheme Shareholders in particular of the points summarised below:

**(a) Total Price attractive compared to market prices**

the last privatisation proposal by Guoco was five years ago. The Total Price of HK\$135, which exceeds the Share price during the Review Period, represents a 35% premium over the last offer price of HK\$100 assuming the privatisation condition had been fulfilled. Following the lapse of that proposal, the Share price closed below HK\$100 from May 2013 until 30 August 2017 and closed mostly between HK\$80-100 per Share in 2013-2017. On 11 October 2017, the Shares briefly reached a closing high of HK\$131.3 per Share but retreated to the HK\$100 level shortly thereafter. The Share price has generally moved in line with the Hang Seng Index during the Review Period. Out-performance was seen in September and October 2017 and for one month before the Announcement but Guoco is unaware of the reasons for this other than the results announcement in August 2017. If the 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 approximately HK\$100 level, as illustrated in Figure 6 above. On this basis, we consider the Total Price of HK\$135 per Scheme Share attractive as compared to market prices during the Review Period.

After the release of the Announcement and up to the Latest Practicable Date, the Shares closed between HK\$127.0 per Share and HK\$130.8 per Share, with an average closing price of approximately HK\$129.22 per Share, a price which, in our view, is supported by the Proposal;

**(b) The Scheme presents a good opportunity to realise the Shares given the thin trading**

during the 90 consecutive trading days up to and including the Last Trading Day, the daily average trading volume of the Shares was 30,265 Shares, or approximately 0.01% of the number of total issued Shares as at the Last Trading Day. From the start of 2017 to the Latest Practicable Date, the Shares have generally traded thinly at an average daily trading volume of approximately 42,300 Shares representing approximately 0.05% of Guoco’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 a potentially valuable one (depending on the prevailing market price);

**(c) 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 40% in 1,249 out of 1,362 trading days. Over the 12-month period ended on the Last Trading Day, the average discount was approximately 45%. The Total Price under the Proposal represents a 32.2%, 21.1% and 24.5% discount to the NAV per Share, the NTAV per Share and the Market Price-related Value per Share respectively, significant improvements on the average discount of 45% to the NAV;

**(d) Privatisation Precedents**

we have not been able to identify Privatisation Precedents which we consider closely resemble the Proposal, as the conglomerate business nature and listed overseas holding company structure of Guoco are substantially different. As discussed above, there are a number of reasons why the premium over market price (approximately 15-24%) and the discount to Reassessed NAV (approximately 35%) represented by the terms of the Proposal may differ from the Privatisation Precedents, which average approximately 31-41% and 22% respectively for the Successful Privatisation Precedents and approximately 48-60% and 43% respectively for the Failed Privatisation Precedents. For these reasons, the comparison with the premiums over market prices under Privatisation Precedents is presented mainly for illustrative purposes and we do not consider them critical matters in our assessment but we tend to compare the discount of 24.5% to the Market Price-related Value (instead of the Reassessed NAV due to the unique layered structure of Guoco) with the Privatisation Precedents, which falls within the range of the discount to Reassessed NAV of the Successful Privatisation Precedents;

**(e) An attractive proposal from another source is unlikely**

an alternative general offer or other proposal to acquire the Shares is unlikely as the Offeror holds over 70% of the issued share capital of Guoco and the Offeror has indicated that it holds such Shares as a long-term investment;

**(f) Irrevocable Undertakings received**

the Offeror has received Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, among other things, vote (or procure votes) to approve the Proposal at the Court Meeting and the Guoco SGM in respect of the Committed Shares they respectively hold. The Committed Shares represent close to 40% of the Scheme Shares. The Irrevocable Undertakings received by the Offeror go a considerable way towards obtaining the approval by Scheme Shareholders of the Scheme at the Court Meeting and the Guoco SGM; and

**(g) Distribution/Scrip Alternative**

the successful completion of the Scheme, in the absence of the Distribution, would lead to an increase in the Offeror's ownership in HLF, which would be subject to a regulatory approval. The Distribution is proposed to be done in conjunction with the Scheme to simplify the transaction structure. It also provides the Shareholders an opportunity to retain their exposure in HLF and to benefit directly from the investment value of HLF after completion of the Proposal. We consider that the Scrip Alternative is mainly suitable to investors who have a positive view of the Malaysian market and HLF, and some familiarity with the relevant administrative and dealing procedures. A Form of Election for choosing the Cash Alternative and/or the Scrip Alternative is enclosed with the Scheme Document. Shareholders are advised to read the Scheme Documents and the instructions on the Form of Election carefully for the terms and procedure of completing such form if they wish to consider the Scrip Alternative. If so, the Form of Election should be returned to the Share Registrar on or before 6 November 2018.

**VII. OPINION AND RECOMMENDATION**

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

As noted above, we consider the Scrip Alternative is mainly suited to investors who are positive of the Malaysian market and HLFG and familiar with the administrative and dealing procedures of the Malaysian stock market. Scheme Shareholders, particularly those holding smaller shareholdings, should seek their own professional advice if they are inclined to accept the Scrip Alternative. Shareholders who are interested in the Scrip Alternative Shares are advised to note the VWAP Price, which shall be fixed on 16 October 2018 and to monitor the performance of HLFG Shares before the deadline for submitting the Form of Election on 6 November 2018.

The closing Share price at the Latest Practicable Date was HK\$129.0 per Share, below the Total Price of HK\$135.00 per Share. However, there is still a possibility that the Share price may exceed the Total Price in the period up to 2 November 2018, being the expected last day for trading in the Shares on the Stock Exchange. Accordingly, Scheme Shareholders who wish to take advantage of the present circumstances to realise their investment in Guoco are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than HK\$135 per Share.

Yours faithfully, for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

**M.N. Sabine**  
*Chairman*

**Jenny Leung**  
*Director*

Mr. M.N. Sabine is a licensed person and responsible officer of Somerley registered with the SFC to carry out Type 1 (dealing with securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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

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## PART VIII – EXPLANATORY STATEMENT

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*This Explanatory Statement constitutes the statement required under section 100 of the Companies Act.*

### 1. INTRODUCTION

Under the Announcement dated 29 June 2018, the Offeror and Guoco jointly announced that the Offeror requested that the Guoco Board put forward to the Shareholders a proposal which will involve the privatisation of Guoco by way of the Scheme and, subject to the Scheme having become binding and effective in accordance with its terms, the payment by Guoco of a special dividend (by way of a distribution in-specie) of up to 291,117,141 ordinary shares in HLFG (a company in which Guoco has a 25.37% shareholding interest) to the Shareholders whose names appear on the Register on the Entitlement Record Date.

Upon completion of the Proposal, the Offeror will own 100% of the Shares, and Guoco will, as soon as practicable thereafter, make an application for the withdrawal of the listing of the Shares on the Stock Exchange.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal, and to provide the Scheme Shareholders with other relevant information in relation to the Scheme, in particular, to provide the intentions of the Offeror and Guoco with regard to Guoco and the shareholding structure of Guoco before and after the Scheme.

### 2. TERMS OF THE PROPOSAL

Under the Proposal, the Scheme Shareholders will be able to receive the Scheme Consideration together with their entitlements under the Distribution. The Shareholders, other than the Non-Qualifying Shareholders, can irrevocably elect whether to receive their entitlements under the Distribution either in:

- (a) cash form (the *Cash Alternative*); and/or
- (b) scrip form (the *Scrip Alternative*).

The Non-Qualifying Shareholders will only be able to elect for the Cash Alternative and will not be able to elect for the Scrip Alternative.

#### 2.1 Cash Alternative

Those Scheme Shareholders validly electing to receive the Cash Alternative for all of their Shares will be entitled to receive a Total Price of HK\$135 per Scheme Share comprising:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Cash Alternative Amount* (under the Distribution) to be arranged by the Offeror (i.e. the amount per Share equal to 0.8847 HLFG Share multiplied by the VWAP Price). This is further detailed in the section headed “5. The Distribution” of this Explanatory Statement.

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## PART VIII – EXPLANATORY STATEMENT

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### 2.2 Scrip Alternative

Those Scheme Shareholders, other than the Non-Qualifying Shareholders, validly electing to receive the Scrip Alternative for all of their Shares will be entitled to receive:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Scrip Alternative Shares* (under the Distribution) (i.e. 0.8847 HLF Share for every one Share, rounded down to the nearest whole number).

### 2.3 Scheme Consideration

The amount of the Scheme Consideration to be received by each Scheme Shareholder will be the same regardless of whether a Scheme Shareholder elects to receive the Cash Alternative Amount and/or the Scrip Alternative Shares. The Scheme Consideration is equal to the Total Price less the Cash Alternative Amount and will be determined once the Cash Alternative Amount has been calculated, as further detailed in the section headed “5. The Distribution” of this Explanatory Statement.

## 3. THE SCHEME

Under the Proposal, subject to the Scheme becoming binding and effective in accordance with its terms, each of the Scheme Shares will be cancelled in exchange for the Scheme Consideration. Upon such cancellation, the issued share capital of Guoco will be restored to its former number by the issuance to the Offeror, credited as fully paid, of the same number of Shares as the number of Scheme Shares cancelled. The reserve created in Guoco’s books of account as a result of any reduction in issued share capital will be applied to the paying up in full of the new Shares so issued, credited as fully paid, to the Offeror.

The Scheme Consideration is an amount per Scheme Share equal to the Total Price less the Cash Alternative Amount (further details of which are set out in the section headed “5. The Distribution” of this Explanatory Statement).

In addition to the Scheme Consideration, those Scheme Shareholders validly electing for the Cash Alternative will receive the Cash Alternative Amount under the Distribution and those Scheme Shareholders (other than the Non-Qualifying Shareholders) validly electing for the Scrip Alternative will receive the Scrip Alternative Shares under the Distribution, subject to the Scheme and the Distribution having become binding and effective in accordance with their respective terms.

The actual amounts of the Scheme Consideration and the Cash Alternative Amount will be confirmed at the end of the VWAP Period (further details of which are set out in the section headed “5. The Distribution” of this Explanatory Statement). The Shareholders will be notified by way of a separate announcement (which will include an updated opinion of Somerley to the Independent Board Committee) which will be made at least 14 days before the Court Meeting.

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## PART VIII – EXPLANATORY STATEMENT

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Assuming that the Scheme becomes effective on Wednesday, 14 November 2018 (Bermuda time), cheques for the Scheme Consideration and the Cash Alternative Amount will be paid for by the Offeror as soon as possible but in any event within seven business days following the Effective Date and, accordingly, the cheques are expected to be despatched on or before Friday, 23 November 2018. All such cheques will be despatched by ordinary post at the risk of the recipients to their addresses shown in the Register or, in the case of joint holders, to the address of that joint holder whose name stands first in the Register in respect of the joint holding, save for cheques in favour of HKSCC Nominees which will be made available for collection by HKSCC Nominees. None of the Offeror, Guoco, Evercore, Platinum, the Share Registrar, Somerley or any of them or their advisers will be responsible for any loss or delay in despatch.

### 4. CONDITIONS OF THE SCHEME

The Scheme will become binding and effective on Guoco and all Scheme Shareholders subject to the satisfaction or valid waiver (if applicable) of the following Scheme Conditions:

- (a) Guoco Assets having distributed 291,117,141 HLFM Shares to Guoco;
- (b) the approval of the Scheme by a majority in number of the Scheme Shareholders present and voting at the Court Meeting representing not less than three-fourths in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Court Meeting;
- (c) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast against the resolution to approve (by way of poll) the Scheme is not more than 10% of the votes attaching to all Scheme Shares held by the Independent Scheme Shareholders;
- (d) the passing by the Shareholders of a special resolution at the Guoco SGM to approve any reduction of the issued share capital of Guoco by the cancellation of the Scheme Shares, and an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of Guoco by the allotment and issue of an equal number of Shares (credited as fully paid) to the Offeror;
- (e) the sanction of the Scheme (with or without modification(s)) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (f) the approval of the Distribution (by way of poll) by at least a majority of the votes attaching to the Shares held by the Shareholders that are voted either in person or by proxy at the Guoco SGM;
- (g) the approval of the Distribution (by way of poll) by at least a majority of the votes attaching to the Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Guoco SGM;
- (h) the necessary compliance with the procedural requirements and conditions, if any, of section 46(2) of the Companies Act in relation to any reduction of the issued share capital of Guoco referred to in Scheme Condition (d) above;

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## PART VIII – EXPLANATORY STATEMENT

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- (i) all Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong and/or any other relevant jurisdictions;
- (j) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes binding and effective in accordance with its terms;
- (k) if required, the obtaining by the Offeror of such other necessary consent, approval, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations;
- (l) 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, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms);
- (m) all necessary consents which may be required under any existing material contractual obligations of Guoco being obtained; and
- (n) save as publicly announced prior to the Announcement Date, since 31 December 2017 (being the date to which the latest published unaudited accounts of Guoco were made up prior to the Announcement Date):
  - (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the Guoco Group to an extent which is material in the context of the Guoco Group taken as a whole; and
  - (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Guoco Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the Guoco Group taken as a whole.

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## PART VIII – EXPLANATORY STATEMENT

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The Scheme Conditions (a) to (h) above are not waivable. The Offeror reserves the right to waive any of the Scheme Conditions (i) to (n), either in whole or in respect of any particular matter. All of the Scheme Conditions will have to be satisfied or validly waived (if applicable), on or before the Long Stop Date, otherwise the Scheme will not become effective. The Scheme will become binding and effective on Guoco and all Scheme Shareholders when all the Scheme Conditions are satisfied or validly waived (if applicable).

As at the Latest Practicable Date, other than Scheme Condition (a) which had been satisfied, none of the Scheme Conditions had been satisfied or validly waived (if applicable).

Assuming that all the Scheme Conditions are satisfied or validly waived (if applicable) on or before the Long Stop Date, it is expected that the Scheme will become binding and effective on or before 31 January 2019.

In respect of the Scheme Conditions (i), (j), (k) and (m), the Offeror is not currently aware of any Authorisations or consents which are required. The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any condition so as to cause the Scheme not to become binding and effective unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Scheme.

### 5. THE DISTRIBUTION

Under the Proposal, subject to the Scheme having become binding and effective in accordance with its terms, Guoco will pay a special dividend (to be effected by way of a distribution in-specie) of up to 291,117,141 HLFNG Shares, representing approximately 25.37% of HLFNG's issued share capital, to the Shareholders whose names appear on the Register on the Entitlement Record Date.

On 29 June 2018, the Guoco Board, recognising that the Distribution is an integral part of the Proposal, recommended the amount of the Distribution, subject to the Distribution Conditions being satisfied.

#### 5.1 Election

Subject to the Scheme having become binding and effective in accordance with its terms, through an election mechanism, the Shareholders, other than the Non-Qualifying Shareholders, will be able to receive their entitlements under the Distribution either:

- (a) in cash form (the *Cash Alternative*); and/or
- (b) in scrip form (the *Scrip Alternative*).

Each Shareholder, other than a Non-Qualifying Shareholder, will be entitled to irrevocably elect to receive:

- (a) a combination of the Cash Alternative and the Scrip Alternative for his, her or its Shares;



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## PART VIII – EXPLANATORY STATEMENT

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- (b) the Cash Alternative for all of his, her or its Shares; or
- (c) the Scrip Alternative for all of his, her or its Shares.

The Offeror has confirmed that it will elect to receive the Scrip Alternative under the Distribution for all of its Shares, subject to the Scheme and the Distribution having become binding and effective in accordance with their respective terms.

### 5.2 Cash Alternative

Those Scheme Shareholders validly electing to receive the Cash Alternative for all of their Shares will be entitled to receive a Total Price of HK\$135 per Scheme Share comprising:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Cash Alternative Amount* (under the Distribution) to be arranged by the Offeror (i.e. the amount per Share equal to 0.8847 HLFG Share multiplied by the VWAP Price).

### 5.3 Scrip Alternative

Those Scheme Shareholders, other than the Non-Qualifying Shareholders, validly electing to receive the Scrip Alternative for all of their Shares will be entitled to receive:

- (a) a cash amount per Scheme Share equal to the *Scheme Consideration* (under the Scheme) to be paid by the Offeror; and
- (b) the *Scrip Alternative Shares* (under the Distribution) (i.e. 0.8847 HLFG Share for every one Share, rounded down to the nearest whole number).

### 5.4 Scheme Consideration

The amount of the Scheme Consideration to be received by each Scheme Shareholder will be the same regardless of whether a Scheme Shareholder elects to receive the Cash Alternative Amount and/or the Scrip Alternative Shares. The Scheme Consideration is equal to the Total Price less the Cash Alternative Amount and will be determined once the Cash Alternative Amount has been calculated.

The Distribution will be paid to the Shareholders after the Scheme has become binding and effective in accordance with its terms and in compliance with Rule 20.1 of the Takeovers Code. The Distribution is expected to be paid on the date that the Scheme Consideration is paid to the Scheme Shareholders.

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## PART VIII – EXPLANATORY STATEMENT

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### 5.5 Other

For those Shareholders, other than the Non-Qualifying Shareholders, who validly elect for the Cash Alternative, the Offeror will arrange for third party purchasers to purchase the relevant HLFG Shares and such third party purchasers shall not be Shareholders. The Offeror will procure the payment of the Cash Alternative Amount to the relevant Shareholders. The Offeror will bear the cost of any fees associated with such arrangements with third party purchasers. If the relevant HLFG Shares are sold for a price which is higher than the VWAP Price, any surplus cash will be retained by the Offeror for its own benefit. If the relevant HLFG Shares are sold for a price which is lower than the VWAP Price, any shortfall in cash will be borne by the Offeror and the Offeror will procure the payment of the Cash Alternative Amount to the relevant Shareholders. Any Shareholders electing for the Cash Alternative are only entitled to receive an amount equal to 0.8847 multiplied by the VWAP Price per HLFG Share multiplied by the number of Shares held by such Shareholders.

The Scrip Alternative Shares will be fully-paid and distributed free from all encumbrances.

Guoco has undertaken not to (and will procure that its subsidiaries do not), unless with the prior written consent of the Offeror, dispose of any HLFG Shares other than as part of the Distribution until the Scheme has become binding and effective or is aborted, lapses or is withdrawn in accordance with its terms.

The number of HLFG Shares for those Shareholders, other than the Non-Qualifying Shareholders, who elect for the Scrip Alternative will be rounded down to the nearest whole number. Fractions of HLFG Shares will not be distributed to such Shareholders but will be aggregated and disposed of by Guoco for its own benefit.

## 6. CONDITIONS OF THE DISTRIBUTION

The Distribution will be subject to satisfaction of the following Distribution Conditions:

- (a) the Distribution having been approved (by way of poll) by at least a majority of the votes attaching to the Shares held by the Shareholders that are voted either in person or by proxy at the Guoco SGM;
- (b) the Distribution having been approved (by way of poll) by at least a majority of the votes attaching to the Shares held by the Independent Scheme Shareholders that are voted either in person or by proxy at the Guoco SGM;
- (c) Guoco Assets having distributed 291,117,141 HLFG Shares to Guoco; and
- (d) the Scheme having become binding and effective in accordance with its terms.

As at the Latest Practicable Date, other than Distribution Condition (c) which had been satisfied, none of the Distribution Conditions had been satisfied.

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## PART VIII – EXPLANATORY STATEMENT

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**WARNING: All Shareholders and/or potential investors should be aware that the implementation of the Proposal will only become effective upon all Scheme Conditions and Distribution Conditions being satisfied or validly waived (if applicable) and thus the Scheme may or may not become effective and the Distribution may or may not be paid. All Shareholders and/or potential investors should, therefore, exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their licensed securities dealer, registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser.**

### 7. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Proposal, if successful, will facilitate integration between the Offeror Group and Guoco and will provide the Offeror Group with greater flexibility to support the future business development of Guoco and its subsidiaries.

If successful, the Proposal is also expected to lead to cost savings through the simplification of the structure and dispensation of costs associated with compliance and maintaining the listing of the Shares. Moreover, it will allow Guoco to solely focus its resources on business operations.

The Offeror Board is of the view that the terms of the Proposal are attractive to the Scheme Shareholders and that the Proposal is beneficial to the Scheme Shareholders in the following ways:

- (a) **the Proposal represents an attractive opportunity to realise value at a substantial premium.** During the 90 consecutive trading days up to and including the Last Trading Day, the Shares traded within the closing price range of HK\$103.00 to HK\$121.30 per Share. The Total Price represents a premium of approximately 24.0% over the volume weighted average closing price of HK\$108.88 per Share over the same period. Please refer to the section headed “2. Terms of the Proposal” in “Part V – Letter from the Guoco Board” for further details on a comparison of the Total Price against the closing price per Share and the volume weighted average closing price per Share;
- (b) **the Proposal provides an opportunity for the Scheme Shareholders to realise their Shares in return for cash.** During the 90 consecutive trading days up to and including the Last Trading Day, the daily average trading volume of the Shares was 30,265 Shares, or approximately 0.01% of the number of total issued Shares as at the Last Trading Day. Given that the Shares are generally thinly traded, there is limited opportunity for the Scheme Shareholders to divest their investment in Guoco. The Proposal represents an option to the Scheme Shareholders to exit from their investment in Guoco;
- (c) **an alternative general offer for the Shares is unlikely.** Given that the Offeror holds approximately 71.88% of the issued share capital of Guoco and that the Offeror has indicated that it holds such Shares as a long-term investment, it is unlikely that there will be any general offers at a premium by third parties for the Shares held by the Scheme Shareholders; and
- (d) **the Proposal provides an opportunity for the Shareholders to retain their exposure to HLFG.** The successful completion of the Scheme, in the absence of the Distribution, would lead to an increase in the Offeror’s ownership in HLFG, which would be subject to a regulatory approval. The Distribution is proposed to be done in conjunction with the Scheme to simplify the transaction structure. It will also provide the Shareholders with an opportunity to retain their exposure in HLFG and to benefit directly from the investment value of HLFG after completion of the Proposal.

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### 8. SHAREHOLDING STRUCTURE OF GUOCO AND VOTING

As at the Latest Practicable Date, there were 329,051,373 Shares in issue.

As at the Latest Practicable Date, the Offeror held 236,524,930 Shares in aggregate (representing approximately 71.88% of the issued share capital of Guoco), the Concert Parties held 9,719,904 Shares in aggregate (representing approximately 2.95% of the issued share capital of Guoco) and the Independent Scheme Shareholders held 82,806,539 Shares in aggregate (representing approximately 25.17% of the issued share capital of Guoco).

The table below sets out the shareholding structure of Guoco as at the Latest Practicable Date and immediately after completion of the Proposal, assuming there is no other change in shareholding and no additional Shares are issued from the Latest Practicable Date up to, and including, the completion of the Proposal:

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Proposal	
	No. of Shares held	Approx. % of issued Shares	No. of Shares held	Approx. % of issued Shares
<b>Offeror</b>	236,524,930	71.88	329,051,373	100
Concert Parties				
Shares held subject to the Scheme:				
– Mr. Kwek Leng Hai <sup>1</sup>	3,800,775	1.16	–	–
– Mr. Kwek Leng San <sup>2</sup>	209,120	0.06	–	–
– Mr. Quek Leng Chan <sup>3</sup>	1,656,325	0.50	–	–
– Mr. Quek Leng Chye <sup>4</sup>	16,822	0.01	–	–
– AFCW <sup>5</sup>	4,026,862	1.22	–	–
– Mr. Tang Hong Cheong <sup>6</sup>	10,000	0.003	–	–
<b>Aggregate number of Shares held by the Concert Parties</b>	<u>9,719,904</u>	<u>2.95</u>	<u>–</u>	<u>–</u>
<b>Aggregate number of Shares held by the Offeror and the Concert Parties</b>	246,244,834	74.83	329,051,373	100
<b>Aggregate number of Shares held by the Independent Scheme Shareholders</b>	<u>82,806,539</u>	<u>25.17</u>	<u>–</u>	<u>–</u>
<b>Total:</b>	<u><u>329,051,373</u></u>	<u><u>100</u></u>	<u><u>329,051,373</u></u>	<u><u>100</u></u>

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## PART VIII – EXPLANATORY STATEMENT

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*Notes:*

1. Mr. Kwek Leng Hai is a director of the Offeror and, therefore, deemed to be a Concert Party. These 3,800,775 Shares held by him will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
2. Mr. Kwek Leng San is a director of the Offeror and, therefore, deemed to be a Concert Party. These 209,120 Shares held by him will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
3. Mr. Quek Leng Chan is a director of the Offeror and, therefore, deemed to be a Concert Party. As at the Latest Practicable Date, he held 1,056,325 Shares under his personal name and 600,000 Shares through CL which is wholly-owned by him. These 1,656,325 Shares held by Mr. Quek Leng Chan will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
4. Mr. Quek Leng Chye is a brother of Mr. Quek Leng Chan, Mr. Kwek Leng Hai and Mr. Kwek Leng San and, therefore, deemed to be a Concert Party.
5. AFCW is an indirect subsidiary of the Offeror (through its shareholding in Guoco) and, therefore, deemed to be a Concert Party. AFCW is the trustee of the share option plan adopted by Guoco on 16 December 2002 and currently holds 4,026,862 Shares. AFCW has undertaken to Guoco not to exercise its voting rights in respect of any Shares held under the trust unless otherwise instructed by Guoco. These 4,026,862 Shares held by AFCW will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
6. Mr. Tang Hong Cheong is a director of HLH and, therefore, deemed to be a Concert Party. He has an option in respect of 120,000 Shares. Mr. Tang Hong Cheong's holding of 10,000 Shares, together with his option in respect of 120,000 Shares, represents approximately 0.04% of the issued share capital of Guoco.

As at the Latest Practicable Date, GCL, a wholly-owned indirect subsidiary of Hong Leong held unlisted cash settled derivatives in respect of 5,200,000 underlying Shares (representing approximately 1.58% of the issued share capital of Guoco). In addition, as at the Latest Practicable Date, GIL, a wholly-owned indirect subsidiary of Hong Leong, held unlisted cash settled derivatives in respect of 3,074,000 underlying Shares (representing approximately 0.93% of the issued share capital of Guoco). The unlisted cash settled derivatives held by GCL and GIL are not securities which are convertible into or exchangeable for the Shares, nor are they issued or sponsored by Guoco. The counterparties to such unlisted cash settled derivatives are financial institutions.

### **9. INFORMATION OF THE OFFEROR AND HONG LEONG**

The Offeror is an exempted company incorporated in Bermuda with limited liability on 16 September 1993. Its principal activity is investment holding.

The Offeror is a wholly-owned indirect subsidiary of Hong Leong. As at the Latest Practicable Date, Mr. Quek Leng Chan had a direct and deemed interest of approximately 49.11% in Hong Leong through various holding companies. The remaining approximately 50.89% of Hong Leong (except for a small holding of not more than 1% held by a non-family member) was owned directly or indirectly by other members of the Quek and Kwek families as at the Latest Practicable Date. Hong Leong is an investment holding company, the subsidiaries of which are engaged in the businesses of financial services, manufacturing and distribution, property development and investment, and hospitality and leisure.

## **10. INFORMATION OF GUOCO GROUP**

Guoco is an exempted company incorporated in Bermuda with limited liability and listed on the Stock Exchange. It is an investment holding and investment management company. Its operating subsidiaries and investment activities are principally located in Hong Kong, China, Singapore, Malaysia, Vietnam and the United Kingdom. Guoco has four core businesses, namely: (a) principal investment; (b) property development and investment; (c) hospitality and leisure business; and (d) financial services.

## **11. INFORMATION OF HLFG**

HLFG is an investment holding company. HLFG was admitted to, and remains listed on, the Official List of Bursa Malaysia Securities Berhad on 27 November 1969. HLFG group is a diversified financial services group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers. The principal activities of the significant subsidiaries consist of commercial banking business, Islamic banking services, insurance and takaful business, investment banking, futures and stockbroking and asset management business. Further information on HLFG can be found by visiting <http://www.hlfg.com.my/investor-relations>.

## **12. THE COURT MEETING AND THE GUOCO SGM**

### **12.1 Purpose**

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)).

The Guoco SGM will be held for the purpose of considering and, if thought fit, passing, among other things:

- (a) a special resolution to approve and give effect to any reduction of the issued share capital of Guoco by the cancellation of the Scheme Shares; and
- (b) an ordinary resolution (i) to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of Guoco by the allotment and issue of an equal number of Shares (credited as fully paid) to the Offeror and (ii) for approval of the Distribution by the Shareholders and the Independent Scheme Shareholders.

### **12.2 Notice**

The notice of the Court Meeting is set out in “Appendix V – Notice of Court Meeting” to this Scheme Document. The Court Meeting will be held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 1 November 2018 at 10:00 a.m. as specified in the notice.

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The notice of the Guoco SGM is set out in “Appendix VI – Notice of Guoco SGM” to this Scheme Document. The Guoco SGM will be held at the same place and on the same date as the Court Meeting and at 10:30 a.m. (or immediately after the Court Meeting is concluded or adjourned).

### 12.3 Voting

As far as Guoco is aware, having made all reasonable enquiries, no Scheme Shareholders are required to abstain from voting at the Court Meeting under the relevant laws, rules and regulations. All Scheme Shareholders shall be entitled to vote at the Court Meeting under Bermuda law. The Offeror is not a Scheme Shareholder and will not be entitled to vote its Shares at the Court Meeting. The Scheme Shareholders include the Concert Parties as the Shares held by such Concert Parties will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.

The votes of the Concert Parties and the Offeror cast at the Court Meeting will not be counted for the purposes of determining if the Scheme Condition (c), as set out in the section headed “4. Conditions of the Scheme” of this Explanatory Statement, has been satisfied.

As far as Guoco is aware, having made all reasonable enquiries, no Shareholders are required to abstain from voting at the Guoco SGM on the resolution for approval of the Distribution by the Shareholders and no Independent Scheme Shareholders are required to abstain from voting at the Guoco SGM on the resolution for approval of the Distribution by the Independent Scheme Shareholders under the relevant laws, rules and regulations. All Shareholders shall be entitled to vote at the Guoco SGM under Bermuda law. However, the votes of the Concert Parties and the Offeror cast at the Guoco SGM will not be counted for the purposes of determining if the Scheme Condition (g), as set out in the section headed “4. Conditions of the Scheme” of this Explanatory Statement, has been satisfied.

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

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

- (a) the Scheme is approved by the Independent Scheme Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast by the Independent Scheme Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Scheme Shareholders.

### 14. BINDING EFFECT OF THE SCHEME

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

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On completion of the Proposal, the Offeror will hold 100% of the issued share capital of Guoco and the listing of the Shares on the Stock Exchange will be withdrawn.

### 15. TOTAL CONSIDERATION AND FINANCIAL RESOURCES CONFIRMATION

The Scheme Consideration will be funded by the Offeror and the Distribution will be made by Guoco. The Cash Alternative Amount will be arranged by the Offeror.

The total maximum cash consideration payable under the Proposal is HK\$12,491,069,805 (assuming all Scheme Shareholders elect for the Cash Alternative). The Offeror intends to finance the cash required for the Proposal from a combination of external debt financing and internal cash resources of the Offeror. Platinum, being one of the joint financial advisers to the Offeror in respect of the Proposal, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to implement the Proposal in full in accordance with its terms.

### 16. WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Effective Date, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. Guoco will, in accordance with Rule 6.15(2) of the Listing Rules, apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

The Scheme Shareholders will be notified by way of announcement of, among other things, the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An expected timetable of the Proposal is included in “Part IV – Expected Timetable” of this Scheme Document.

### 17. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Proposal will lapse if any of the Scheme Conditions and the Distribution Conditions has not been fulfilled or validly waived, if applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

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

**All Shareholders and potential investors should exercise caution when dealing in the securities of Guoco. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser.**



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### 18. COSTS OF THE SCHEME

If the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by Somerley, all costs and expenses incurred by Guoco and the Offeror in connection with the Scheme will be borne by the Offeror.

### 19. GENERAL

#### 19.1 Joint financial advisers

The Offeror has appointed Evercore and Platinum as its joint financial advisers in connection with the Proposal.

#### 19.2 Guoco Board

The Guoco Board comprises seven directors, two of whom (namely, Mr. Kwek Leng Hai and Mr. Tang Hong Cheong) are executive Guoco Directors, two of whom (namely, Mr. Kwek Leng San and Mr. Tan Lim Heng) are non-executive Guoco Directors and the remaining three of whom (namely, Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman) are independent non-executive Guoco Directors.

#### 19.3 Recommendation of Independent Board Committee

The Independent Board Committee, which comprises Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman (each being an independent non-executive Guoco Director), has been established by the Guoco Board to make a recommendation to the Shareholders as to whether the Proposal is, or is not, fair and reasonable and as to approval.

As Mr. Kwek Leng San, a non-executive Guoco Director, is an Offeror Director and he also holds Shares, he is regarded as being interested in the Proposal and does not form part of the Independent Board Committee. As Mr. Tan Lim Heng, a non-executive Guoco Director, is a non-executive director of Lam Soon (Hong Kong) Limited, an associate of the Offeror, he is regarded as being interested in the Proposal and does not form part of the Independent Board Committee.

The following persons are considered to be interested in the Proposal and have, therefore, not participated, and will continue not to participate, in any vote of the Guoco Board in relation to the Proposal:

- (a) Mr. Kwek Leng Hai and Mr. Kwek Leng San, by virtue of being Offeror Directors; and
- (b) Mr. Tan Lim Heng and Mr. Tang Hong Cheong, by virtue of being directors of an associate of the Offeror.

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal in the letter from the Independent Board Committee set out in “Part VI – Letter from the Independent Board Committee” of this Scheme Document.

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### 19.4 Recommendation of Somerley

Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal. Such appointment has been approved by the Independent Board Committee.

The text of the letter of advice from Somerley containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “Part VII – Letter from Somerley” of this Scheme Document. We would advise you to read such letter of advice carefully before you take any action in respect of the Proposal.

### 19.5 Other

Save for the Proposal itself, as at the Latest Practicable Date there were no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which might be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any of the Concert Parties and any other person in relation to the Shares which might be material to the Proposal.

The Offeror and the Concert Parties had not borrowed or lent any Shares or any other securities of Guoco as at the Latest Practicable Date.

Other than the Irrevocable Undertakings, no irrevocable commitment to vote for or against the Scheme had been received by the Offeror or the Concert Parties, as at the Latest Practicable Date.

Associates of Guoco or the Offeror (as defined in the Takeovers Code, including any shareholders holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Guoco or the Offeror) are hereby reminded to disclose their dealings in any securities of Guoco under Rule 22 of the Takeovers Code.

## 20. REGISTRATION AND PAYMENT

### 20.1 Entitlements of Scheme Shareholders and Shareholders to receive Scheme Consideration and Distribution

Assuming that the Entitlement Record Date falls on Thursday, 8 November 2018, it is proposed that the Register will be closed from Wednesday, 7 November 2018 to Wednesday, 14 November 2018 (both days inclusive) (or such other date as the Shareholders may be notified by announcement) in order to determine the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal. During such period, no transfer of Shares will be effected.

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In order to qualify for such entitlements to receive the Scheme Consideration and the Distribution under the Proposal, all transfers accompanied by the relevant share certificates must be lodged at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 6 November 2018 (or such other date as the Shareholders may be notified by announcement).

### **20.2 Payment of Scheme Consideration and Distribution**

Upon the Scheme becoming effective, payment of the Scheme Consideration for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the Register as at the Entitlement Record Date. Assuming that the Scheme becomes effective on Wednesday, 14 November 2018 (Bermuda time), cheques for the Scheme Consideration and the Cash Alternative Amount will be paid for by the Offeror as soon as possible but in any event within seven business days following the Scheme having become binding and effective in accordance with its terms and, accordingly, the cheques are expected to be despatched on or before Friday, 23 November 2018.

The Distribution will be paid to the Shareholders after the Scheme has become binding and effective in accordance with its terms and in compliance with Rule 20.1 of the Takeovers Code. The Distribution is expected to be paid on the date that the Scheme Consideration is paid to the Scheme Shareholders.

### **20.3 Posting of cheques**

In the absence of any specific instructions to the contrary received in writing by the Share Registrar, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, cheques will be sent by ordinary post in envelopes at the risk of the recipients to their addresses shown in the Register or, in the case of joint holders, to the address of the joint holders as shown in the Register in respect of the joint holding.

For any Beneficial Owners that hold the Scheme Shares through a nominee (other than HKSCC Nominees), cheques made out in the name of the nominee will be sent by post in envelopes addressed to the nominee.

For any Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees, cheques will be in envelopes addressed to and made available for collection by HKSCC Nominees. Upon receipt of such cheque, HKSCC Nominees will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, Guoco, Evercore, Platinum, the Share Registrar, Somerley and their advisers or any of them will be responsible for any loss or delay in despatch.

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### 20.4 Cheques not cashed or returned uncashed

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 shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme.

### 20.5 Other

Assuming that the Scheme becomes effective, the Register will be updated accordingly to reflect the cancellation of all Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Wednesday, 14 November 2018 (Bermuda time).

Settlement of the Scheme Consideration to which the Scheme Shareholders are 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.

## 21. OVERSEAS SHAREHOLDERS

### 21.1 General

The making of the Proposal and the approval of the Proposal, including an election to receive the Scrip Alternative, by the Scheme Shareholders who are not residents in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located.

Such Scheme Shareholders should inform themselves about, and observe, any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal, including an election to receive the Scrip Alternative, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid in such jurisdiction.

Any action taken by such Scheme Shareholders in relation to the Proposal, including an election to receive the Scrip Alternative, will be deemed to constitute a representation and warranty from such persons to Guoco and the Offeror that those local laws and requirements have been complied with. If the Scheme Shareholders are in doubt as to their position, they should consult their professional advisers.

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### **21.2 Non-Qualifying Shareholders**

Guoco has made enquiries with overseas legal advisers regarding the legal restrictions under the laws of the U.S. and the requirements of the relevant regulatory body or stock exchange in the U.S. in relation to extending the Scrip Alternative to such Shareholders and Beneficial Owners with addresses located in the U.S. The Guoco Directors, based on the results of such enquiries made, consider it necessary or expedient not to offer the Scrip Alternative to any such Beneficial Owner with an address located in the U.S.

Accordingly, for the purposes of electing for the Scrip Alternative, the Non-Qualifying Shareholders are Beneficial Owners whose address(es) is/are in the U.S., except for those Shareholders or Beneficial Owners, as the case may be, who fulfil, to the satisfaction of Guoco, the relevant requirements specified in the section headed “21.3 Limited categories of persons in the U.S. who may be able to elect to receive the Scrip Alternative Shares” of this Explanatory Statement.

### **21.3 Limited categories of persons in the U.S. who may be able to elect to receive the Scrip Alternative Shares**

Notwithstanding any other provision in this Scheme Document (including what is said in the section headed “21.2 Non-Qualifying Shareholders” of this Explanatory Statement), Guoco reserves the right to permit any Shareholder or Beneficial Owner to participate in the Scrip Alternative and take up his, her or its entitlement to the Scrip Alternative Shares if Guoco, in its absolute discretion, is satisfied that the Scrip Alternative is exempt from or not subject to or can otherwise be lawfully made to them without contravention of any relevant legal or regulatory requirements. Guoco reserves the absolute discretion in determining whether to allow any person, as well as the identity of such persons, who may be allowed to receive this Scheme Document or to elect to receive Scrip Alternative Shares in the U.S. Shareholders and Beneficial Owners in the U.S. may still be able to receive this Scheme Document or to elect to receive the Scrip Alternative Shares, subject to Guoco’s absolute discretion, provided that such Shareholders and Beneficial Owners are able to provide Guoco with evidence, to Guoco’s satisfaction, that they fulfil the relevant requirements in the U.S. For Beneficial Owners in the U.S. who want to elect to receive the Scrip Alternative Shares, please contact your intermediary to make the necessary arrangements.

### **21.4 Overseas Shareholders in the U.S.**

The Scheme relates to the shares of a Bermuda company and is proposed to be made by means of a scheme of arrangement provided for under the laws of Bermuda. The Scrip Alternative relates to the shares of a company listed on the Official List of Bursa Malaysia Securities Berhad. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the United States Securities Exchange Act of 1934, as amended. Accordingly, the Scheme is subject to the disclosure requirements and practices applicable in Hong Kong and Bermuda to schemes of arrangement, which differ from the disclosure and other requirements of the U.S. tender offer rules. Financial information included in the relevant documentation will have been prepared in accordance with accounting standards applicable in Hong Kong that may not be comparable to the financial statements of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the U.S.

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U.S. Shareholders may encounter difficulty enforcing their rights and any claim arising out of the U.S. federal securities laws, as the Offeror and Guoco are located in a country outside the U.S., and some or all of their officers and directors may be residents of a country other than the U.S.

U.S. Shareholders 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, U.S. Shareholders may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgement.

The receipt of cash pursuant to the Scheme or the Cash Alternative, and the receipt of the Scrip Alternative Shares, by any Shareholders who are U.S. taxpayers may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local laws, as well as foreign and other tax laws. Each Shareholder is urged to consult his, her or its independent professional adviser immediately regarding the tax consequences of his, her or its approval of the Scheme and acceptance of the Cash Alternative and/or the Scrip Alternative.

The Scrip Alternative Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the U.S. and may not be offered, sold, allotted, taken up, exercised, resold, renounced, pledged, transferred or delivered, directly or indirectly, in or into the U.S., except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S. There will be no public offer of the Scrip Alternative Shares in the U.S.

The Scrip Alternative Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the U.S. or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Proposal, the Scrip Alternative Shares or the accuracy or adequacy of this Scheme Document. Any representation to the contrary is a criminal offence in the U.S.

Subject to certain exceptions, this Scheme Document does not constitute or will not constitute, or does not form or will not form, part of any offer or invitation to issue, purchase or acquire the Scrip Alternative Shares to any person with a registered address, or who is located, in the U.S. The Scrip Alternative Shares are being distributed outside the U.S. in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering of the Scrip Alternative Shares, any offer, sale or transfer of the Scrip Alternative Shares in or into the U.S. by a dealer (whether or not participating in the Scheme) may violate the registration requirements of the U.S. Securities Act.

Notwithstanding the foregoing, in certain limited circumstances, Guoco may allow persons in the U.S. whom Guoco reasonably believes to be qualified institutional buyers (as defined in Rule 144A of the U.S. Securities Act) to take up the Scrip Alternative Shares in transactions that are exempt from the registration requirements under the U.S. Securities Act, as determined by Guoco in its absolute discretion. Shareholders and Beneficial Owners in the U.S. should contact Guoco's company secretary for further details on whether they would be allowed to participate in the Proposal in these limited circumstances.

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### 22. TAXATION

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

All Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal and, in particular, whether the receipt of the Scheme Consideration or the Distribution would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, Guoco, Evercore, Platinum and Somerley or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Scheme.

### 23. SCHEME SHARES

As at the Latest Practicable Date, the Offeror held 236,524,930 Shares in aggregate (representing approximately 71.88% of the issued share capital of Guoco). Such Shares will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting. The Offeror will undertake to the Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

The Concert Parties held 9,719,904 Shares in aggregate (representing approximately 2.95% of the issued share capital of Guoco) as at the Latest Practicable Date.

Please refer to the section headed “12. The Court Meeting and the Guoco SGM” of this Explanatory Statement for the voting requirements of the Scheme Shareholders and the Shareholders at the Court Meeting and the Guoco SGM respectively.

### 24. SUMMARY OF ACTIONS TO BE TAKEN

#### 24.1 Entitlements of Scheme Shareholders and Shareholders to attend and vote at Court Meeting and Guoco SGM

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 Guoco SGM, the Register will be closed from Saturday, 27 October 2018 to Thursday, 1 November 2018 (both days inclusive) (or such other date as the Shareholders may be notified by announcement). During such period, no transfer of Shares will be effected.

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## PART VIII – EXPLANATORY STATEMENT

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In order to qualify to vote at the Court Meeting and the Guoco SGM, all transfers accompanied by the relevant share certificates must be lodged at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 26 October 2018 (or such other date as the Shareholders may be notified by announcement).

### 24.2 Entitlements of Scheme Shareholders and Shareholders to receive Scheme Consideration and Distribution

Assuming that the Entitlement Record Date falls on Thursday, 8 November 2018, it is proposed that the Register will be closed from Wednesday, 7 November 2018 to Wednesday, 14 November 2018 (both days inclusive) (or such other date as the Shareholders may be notified by announcement) in order to determine the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal. During such period, no transfer of Shares will be effected.

In order to qualify for such entitlements to receive the Scheme Consideration and the Distribution under the Proposal, all transfers accompanied by the relevant share certificates must be lodged at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 6 November 2018 (or such other date as the Shareholders may be notified by announcement).

### 24.3 Forms of proxy

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the Guoco SGM are enclosed with copies of this Scheme Document sent to the Registered Owners. Any subsequent purchasers of the Shares will need to obtain the relevant form(s) of proxy from the transferors. Alternatively, copies of the forms of proxy can be: (a) obtained from the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong; or (b) downloaded from the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or Guoco at [www.guoco.com](http://www.guoco.com).

Whether or not you are able to attend the Court Meeting and/or the Guoco SGM in person:

- (a) if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting; and
- (b) if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the Guoco SGM,

in accordance with the instructions printed on them, and to lodge them at the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.



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## PART VIII – EXPLANATORY STATEMENT

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### In order to be valid:

- (a) the **pink** form of proxy for use at the Court Meeting should be lodged as soon as possible and in any event not later than 10:00 a.m. on Tuesday, 30 October 2018 (or such other date as the Scheme Shareholders may be notified by announcement) or be handed to the Chairman at the Court Meeting before the taking of the poll (who shall have absolute discretion as to whether or not to accept it); and
- (b) the **white** form of proxy for use at the Guoco SGM should be lodged as soon as possible and in any event not later than 10:30 a.m. on Tuesday, 30 October 2018 (or such other date as the Shareholders may be notified by announcement).

The completion and return of the relevant form(s) of proxy for the Court Meeting and/or the Guoco SGM will not preclude a Scheme Shareholder or a Shareholder, respectively, from attending and voting in person at the relevant meeting should you so wish. In such event, the returned form of proxy will be deemed to have been irrevocably revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the Guoco SGM, you will still be bound by the outcome of the Court Meeting and the Guoco SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the Shareholders (as the case may be). We, therefore, strongly urge you to attend and vote at the Court Meeting and the Guoco SGM in person or by proxy. Voting at the Court Meeting and the Guoco SGM will be taken by way of poll.

### 24.4 Form of Election

A **blue** Form of Election is enclosed with copies of this Scheme Document sent to the Registered Owners. Any subsequent purchasers of the Shares will need to obtain the Form of Election from the transferors. Alternatively, copies of the Form of Election can be: (a) obtained from the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; or (b) downloaded from the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or Guoco at [www.guoco.com](http://www.guoco.com).

Each Shareholder, other than a Non-Qualifying Shareholder, will be entitled to make an irrevocable election to receive:

- (a) a combination of the Cash Alternative and the Scrip Alternative for his, her or its Shares;
- (b) the Cash Alternative for such Shares; or
- (c) the Scrip Alternative for such Shares,

by lodging a Form of Election, duly completed and signed in accordance with the instructions appearing on it, at the office of the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the Election Time, **being 4:30 p.m. on Tuesday, 6 November 2018 (or such later date as may be notified by way of joint announcement by the Offeror and Guoco on the website of the Stock Exchange)**.

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## PART VIII – EXPLANATORY STATEMENT

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In the Form of Election, should you wish to elect to receive the Scrip Alternative for some or all of your Shares, you are required to specify, among other things, details of your Eligible CDS Account which you will use to receive the Scrip Alternative Shares. You must have an Eligible CDS Account on or before the Election Time in order to receive the Scrip Alternative Shares.

**You are free to consult, contact or engage with any stockbrokers, banks or registered institutions in Malaysia of your choice regarding the opening of an Eligible CDS Account. You are advised to contact them as soon as possible and allow sufficient time (at least three weeks) to open an Eligible CDS Account and complete any necessary know-your-customer processes (if required) should you wish to elect for the Scrip Alternative for some or all of your Shares.**

**You may wish to find out if your stockbrokers, banks or registered institutions may have services available to facilitate the receipt and holding of the Scrip Alternative Shares through arrangements with any stockbrokers, banks or registered institutions in Malaysia which have Eligible CDS Accounts. You must inform such entity of your intention to elect for and receive the Scrip Alternative Shares as soon as possible to enable it to provide you with the information necessary to complete the Form of Election and to make appropriate arrangements for the receipt of the Scrip Alternative Shares to your Eligible CDS Account maintained with such entity.**

**For the avoidance of doubt, the Form of Election is not for use (as a form of proxy or otherwise) at the Court Meeting and the Guoco SGM. The Form of Election is for Shareholders to elect for the Cash Alternative and/or the Scrip Alternative should they wish to do so. This election may be made at any time up to the Election Time but, once made shall be irrevocable unless with Guoco's express consent in writing. However, this election is subject to the Scheme and the Distribution having become binding and effective in accordance with their respective terms.**

No acknowledgement of receipt of any Form of Election will be given to you. A Form of Election which is completed and delivered by you shall be irrevocable and incapable of being amended, withdrawn or revoked unless Guoco expressly consents in writing to any such amendment, withdrawal or revocation. Guoco shall have the right to reject any or all Forms of Election that it determines to be not duly completed or executed in accordance with the instructions on them or containing inaccurate, incorrect, invalid or incomplete information or illegible writing or otherwise not valid in accordance with the terms set out in this Scheme Document (including but not limited to the failure to provide an Eligible CDS Account or to provide complete and correct information of such Eligible CDS Account). None of the Offeror, Guoco or the Share Registrar is obliged to give notice to any Shareholder of any such rejection and each of them hereby disclaims any and all liabilities arising from not giving such notification.

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## PART VIII – EXPLANATORY STATEMENT

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In addition, Guoco shall also have the right to treat any Form of Election that has not been completed in accordance with the instructions on it, or has otherwise been completed incorrectly, as being valid, provided that Guoco in its absolute discretion considers the omissions or errors to be immaterial. None of the Offeror, Guoco or the Share Registrar is obliged to give notice to any Shareholder of any such defects or irregularities and each of them hereby disclaims any and all liabilities arising from not giving such notification or from Guoco exercising or not exercising its discretion as aforementioned.

**Assuming that the Scheme and the Distribution become binding and effective in accordance with their respective terms, you will receive:**

- (a) the Cash Alternative (but not the Scrip Alternative) for all of your Shares if you have:**
  - (i) not returned a Form of Election as described above by the Election Time; or**
  - (ii) returned a Form of Election which is not duly completed or executed in accordance with the instructions on it or contains inaccurate, incorrect, invalid or incomplete information or illegible writing or is otherwise not valid in accordance with the terms set out in this Scheme Document (including but not limited to the failure to provide an Eligible CDS Account or to provide complete and correct information of such Eligible CDS Account), save for the case mentioned in (b) below; or**
  
- (b) the Scrip Alternative (but not the Cash Alternative) for all of your Shares, if you have elected for a combination of the Cash Alternative and the Scrip Alternative but, in the Form of Election, you have:**
  - (i) specified a number of Shares for such selection of the Scrip Alternative which is greater than the number of all of your Shares; or**
  - (ii) not specified a number of Shares for such selection of the Scrip Alternative.**

If you have sold or transferred all or part of your Shares, you should at once hand this Scheme Document and the enclosed forms of proxy and the Form of Election 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.

If your Shares are registered in the name of a Registered Owner (other than HKSCC Nominees), your Registered Owner will, through his, her or its Eligible CDS Account, receive the Scrip Alternative Shares as a registered Shareholder, provided that the Registered Owner has validly elected the Scrip Alternative. Otherwise, your Registered Owner will receive the Cash Alternative (and not the Scrip Alternative) for all of your Shares if the Scheme and the Distribution become binding and effective in accordance with their respective terms.

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Any Shareholder who holds Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the election of the Cash Alternative and/or the Scrip Alternative, and may consider whether he, she or it wishes to arrange for the registration of the relevant Shares in the name of the Beneficial Owner prior to 4:30 p.m. on the Entitlement Record Date.

You are responsible for ensuring that your Eligible CDS Account continues to be effective for receipt of the Scrip Alternative Shares after the Effective Date. None of the Offeror, Guoco, Evercore, Platinum or the Share Registrar take any responsibility for your failure to do so.

### **24.5 Announcement of results of Court Meeting and Guoco SGM**

Guoco will make an announcement in relation to the results of the Court Meeting and the Guoco SGM on Thursday, 1 November 2018. If all the resolutions are passed at those meetings, Guoco will make further announcements of the results of the Court Hearing and, if the Scheme is sanctioned, the Entitlement Record Date, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange.

### **24.6 Announcement of Scheme Consideration and Cash Alternative Amount**

The actual Scheme Consideration and the actual Cash Alternative Amount will be determined based on the actual VWAP Price per HLF Share and will, therefore, only be known at the end of the VWAP Period. The Scheme Shareholders will be notified by announcement as soon as possible of the actual Scheme Consideration and the actual Cash Alternative Amount once known, which is expected to be Tuesday, 16 October 2018 (or such other date as the Scheme Shareholders and the Shareholders may be notified by announcement).

### **24.7 Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner and not deposited in CCASS**

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

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to:

- (a) the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the Guoco SGM; and
- (b) the election of the Cash Alternative and/or the Scrip Alternative.

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

- (a) contact the Registered Owner directly to make the appropriate arrangements with such Registered Owner to enable you to attend and vote at the Court Meeting and/or the Guoco SGM. For such purpose, the Registered Owner may appoint you as his, her or its proxy; or

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## PART VIII – EXPLANATORY STATEMENT

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- (b) arrange for some or all of your 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 Guoco SGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the Guoco SGM must be in accordance with all relevant provisions in the order of the Court (as described in this Scheme Document) pursuant to which the Court Meeting was convened and the bye-laws of Guoco.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy must be completed and signed by such Registered Owner and must be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in the section headed “24.3 Forms of proxy” of this Explanatory Statement.

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

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

### **24.8 Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS**

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a person admitted to participate in CCASS as 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 instructions for voting and the election of the Cash Alternative and/or the Scrip Alternative to be given to such persons; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the Guoco SGM and elect for the Cash Alternative or the Scrip Alternative as a registered Shareholder in respect of those Shares.

You can become a Shareholder in your own name and be entered in the Register by withdrawing some or all of your Shares from CCASS and becoming a Registered Owner of such

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Shares. For the withdrawal of your Shares from CCASS and the registration of your Shares in the Register, you will be required to pay to CCASS, among other things, stamp duty on each transfer instrument and, if your Shares 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 on the detailed procedures and in advance of: (a) the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and/or the Guoco SGM; and (b) the latest time for lodging the Form of Election. This is in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and have the Shares registered in your name in the Register.

HKSCC Nominees will be counted as one person or member of the Company at the Court Meeting for the purposes of ascertaining whether or not the requirement that a “majority in number” of the Scheme Shareholders approving the Scheme under section 99(2) of the Companies Act has been satisfied. For the purposes of calculating the “majority in number” of the Scheme Shareholders, HKSCC Nominees will be entitled to be counted or to vote in favour of or against the Scheme in accordance with the majority of instructions received from CCASS Participants.

The procedure for voting and the election of the Cash Alternative and/or the Scrip Alternative by investor participants and the other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

### **24.9 Exercise your right to vote**

In accordance with the direction from the Court, for the purposes of calculating the “majority in number” at the Court Meeting, HKSCC Nominees will be counted as one vote which will be exercised for or against the Scheme according to the majority of voting instructions received. Each Registered Owner will be counted as one vote for the purposes of calculating the “majority in number” at the Court Meeting.

Only Scheme Shareholders entered in the Register on the Meeting Record Date will be counted for the purposes of ascertaining whether or not a majority in number of the Scheme Shareholders have approved the Scheme pursuant to section 99 of the Companies Act.

If you are a Scheme Shareholder or a Shareholder or a Beneficial Owner whose Shares are held in the name of a Registered Owner, you are strongly encouraged:

- (a) in the case of a Scheme Shareholder or a Shareholder – to exercise your right to vote at the Court Meeting and/or the Guoco SGM; or
- (b) in the case of a Beneficial Owner – to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the Guoco SGM.

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

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## PART VIII – EXPLANATORY STATEMENT

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**If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some or all of your Shares from CCASS and become a registered holder of such Shares and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the Guoco SGM. In respect of any Shares of which you are the Beneficial Owner and/or which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person without delay regarding voting instructions in relation to the manner in which those Shares should be voted at the Court Meeting and/or the Guoco SGM.**

If you are a Registered Owner holding Shares 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.

The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast, and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

### **24.10 Make your election**

Whether or not you will exercise your right to vote, you should complete and return the Form of Election by the Election Time.

You should consult your broker, custodian, nominee or other relevant person as soon as possible as to the timing and procedures for the election of the Cash Alternative and/or the Scrip Alternative. They may set a timeline which may be earlier than the Election Time to allow them sufficient time to submit the election to HKSCC Nominees by the deadline set by HKSCC Nominees. You should, therefore, allow sufficient time to have an Eligible CDS Account opened and ready before the deadline imposed by your broker, custodian, nominee or other relevant person.

## **25. RECOMMENDATION**

Your attention is drawn to the following in this Scheme Document:

- (a) the paragraph headed “18. Recommendation” set out in “Part V – Letter from the Guoco Board”;
- (b) the letter from the Independent Board Committee set out in “Part VI – Letter from the Independent Board Committee”; and
- (c) the letter from Somerley set out in “Part VII – Letter from Somerley”.

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## PART VIII – EXPLANATORY STATEMENT

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### 26. FURTHER INFORMATION

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

All Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Offeror, Guoco, Evercore, Platinum, Somerley, their advisers or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

### 27. PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Guoco Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Guoco Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in these forward-looking statements and opinions, and you should not place undue reliance on such forward-looking statements and opinions.

Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, Guoco, Evercore, Platinum, Somerley and any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

### 28. PREVAILING TEXT

In case of any inconsistency, the English language texts of this Scheme Document and the enclosed forms of proxy and Form of Election shall prevail over their respective Chinese language texts.

In case of any inconsistency between “Part VIII – Explanatory Statement” and “Appendix IV – Scheme of Arrangement” to this Scheme Document, the latter shall prevail.



**1. FINANCIAL SUMMARY**

The following summary financial information for each of the three financial years ended 30 June 2016, 2017 and 2018 is extracted from the consolidated financial statements of Guoco as set forth in the annual reports of Guoco for the three years ended 30 June 2016, 2017 and 2018, respectively.

The auditor's reports issued by KPMG in respect of the Guoco Group's audited consolidated financial statements for each of the three years ended 30 June 2016, 2017 and 2018 did not contain any modifications.

There was no item which was exceptional because of the size, nature or incidence that was recorded in the financial statements of the Guoco Group for each of the three years ended 30 June 2016, 2017 and 2018.

	(Audited)		
	For the year ended 30 June		
	2018	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>35,589,072</u>	<u>23,220,299</u>	<u>18,878,074</u>
Profit for the year before taxation	7,901,058	8,132,779	5,880,846
Tax expenses	<u>(1,664,309)</u>	<u>(707,808)</u>	<u>(988,849)</u>
Profit for the year	<u>6,236,749</u>	<u>7,424,971</u>	<u>4,891,997</u>
Attributable to:			
Shareholders of the Company	4,898,859	6,124,343	3,087,886
Non-controlling interests	<u>1,337,890</u>	<u>1,300,628</u>	<u>1,804,111</u>
Profit for the year	<u>6,236,749</u>	<u>7,424,971</u>	<u>4,891,997</u>
Dividends			
Final dividend paid in respect of prior year	(979,251)	(981,360)	(976,194)
Interim dividend paid in respect of current year	<u>(324,999)</u>	<u>(326,628)</u>	<u>(325,256)</u>
	<u>(1,304,250)</u>	<u>(1,307,988)</u>	<u>(1,301,450)</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Dividend per share			
Final dividend paid in respect of prior year	3.00	3.00	3.00
Interim dividend paid in respect of current year	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
	<u>1.00</u>	<u>4.00</u>	<u>4.00</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share			
Basic	<u>15.07</u>	<u>18.84</u>	<u>9.50</u>
Diluted	<u>15.07</u>	<u>18.84</u>	<u>9.50</u>

## 2. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

The audited consolidated financial statements of the Guoco Group for the year ended 30 June 2018 (the “**2018 Financial Statements**”) are set out from page 67 to page 165 in Guoco’s annual report for the year ended 30 June 2018 (the “**2018 Annual Report**”), which was published on 27 September 2018.

The 2018 Annual Report is posted on Guoco’s website at [www.guoco.com](http://www.guoco.com). Please also see below a quick link to the 2018 Annual Report: [www.guoco.com/eng/ir/reports.asp](http://www.guoco.com/eng/ir/reports.asp)

The 2018 Financial Statements are incorporated by reference into this Scheme Document and form part of this Scheme Document.

## 3. INDEBTEDNESS STATEMENT

As at close of business on 31 July 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Guoco Group had the following outstanding borrowings:

	<b>HK\$’million</b>
Bank loans	
– Secured	19,895
– Unsecured	9,964
	<hr/>
	29,859
Unsecured other loans	71
Unsecured medium term notes and bonds	5,894
Secured mortgage debenture stock	588
	<hr/>
	<b>36,412</b>
	<hr/> <hr/>

*Note:*

The bank loans and mortgage debenture stock are secured by certain properties, plant and equipment and trading financial assets with an aggregate book value of HK\$41.0 billion.

For contingent liabilities of the Guoco Group, please refer to information set out in note 38 to the 2018 Financial Statements.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 July 2018, the Guoco Group did not have any other outstanding bank borrowings, bank overdrafts or loans or other similar indebtedness, mortgage, charge or any other borrowings, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantee or other material contingent liabilities.

The Guoco Directors have confirmed that there had been no other material changes in the indebtedness and contingent liabilities of the Guoco Group since 31 July 2018 and up to the Latest Practicable Date.

**4. MATERIAL CHANGE**

Save as disclosed in the 2018 Annual Report, the Guoco Directors confirmed that there had been no material change in the financial or trading position or outlook of the Guoco Group since 30 June 2018, being the date to which the latest published audited financial statements of the Guoco Group were made up and until the Latest Practicable Date.

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from Crowe Horwath First Trust Appraisal Pte Ltd, an independent valuer, in connection with their valuation as at 31 July 2018 of the property interests of the Guoco Group and its associated companies (as defined in the Takeovers Code) in the People's Republic of China, Hong Kong, Malaysia, Singapore and Vietnam.*



**Crowe Horwath First Trust Appraisal Pte Ltd**  
(Company Registration No: 201716735Z)  
8 Shenton Way  
#05-01 AXA Tower  
Singapore 068811

Date: 10 October 2018

**Guoco Group Limited**

50th Floor, The Center

99 Queen's Road Central, Hong Kong

Attn.: The Board of Directors

Dear Sirs,

**RE: Valuation of Properties in the People's Republic of China, Hong Kong, Malaysia, Singapore and Vietnam**

In accordance with your instruction for us to value the property interests held by Guoco Group Limited (the "Company"), its subsidiaries and its associated companies (as defined in The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the "Takeovers Code")) (collectively referred to as the "Group") in the People's Republic of China (the "PRC"), Hong Kong, Malaysia, Singapore and Vietnam with details stated in the valuation certificate attached, 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 capital values of such property interests as at 31 July 2018 (the "Date of Valuation") for the purpose of incorporating in the Company's circular in relation to the proposed privatisation of the Company announced on 2 July 2018 on The Stock Exchange of Hong Kong Limited only.

**Valuation Basis**

Our valuation is carried out on a Market Value basis, which is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

This valuation complies with The HKIS Valuation Standards published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors (“RICS”), and the International Valuation Standards published by the International Valuation Standards Council. We also complied with the requirements set out in Paragraphs 34(2) and (3) of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of the Takeovers Code.

### **Valuation Assumptions**

Unless otherwise stated, our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

### **Valuation Methodology**

We have valued the property interests by comparison method. Comparison method consists of comparisons based on prices realized or current asking prices of comparable properties. Comparable properties of similar size, character and location are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. We have also valued certain property interests by direct capitalization method, which takes into account the current passing rents of the property interests and the reversionary potentials of the tenancies, and we capitalized the existing tenancies’ remaining tenancy terms into the term interest and assembled it with the reversionary interest, which has been derived by discounting the market rents on a vacant possession basis as assessed by the comparison method with appropriate property yield.

For the property interests which were under construction, we have valued the property interests on the basis that the properties will be developed and completed in accordance with the Group’s development schemes provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or could be obtained without onerous conditions or delays. We reserve the right to change the capital values opinion if there is any material change in the state of the property interests concerned. Any change in the approvals, including the development parameters approved, and any delay in getting the approvals from the relevant authorities are considered the potential risks that may render a material change in the state and the capital value of the property interests.

In arriving at our opinion of value for the property interests under construction, we have adopted the residual method. We have made reference to comparable strata unit properties available in the market to arrive at the capital value of the property as if the proposed development were completed and have also taken into consideration the development costs already spent, if any, and to be spent to reflect the quality of the completed development. Residual approach involves an estimation of the capital value of a proposed development with reference to its development potential by deducting costs and the developer's profit from its estimated completed development value. The Gross Development Value represents our opinion of the aggregate value of various units in the proposed developments assuming that they were just completed and fit for use at the Date of Valuation.

In valuing the property interests which are rented by the Group in the PRC, Hong Kong and Malaysia, we take the view that they have no commercial value primarily due to prohibitions against assignment or sub-letting and/or lack of substantial profit rent.

### **Source of Information**

In the course of valuation, we have relied on the legal opinions provided by the Group's PRC and Vietnam legal advisors, namely Llinks Law Offices and NTK Consulting Group respectively, to ascertain title to the properties in PRC and Vietnam. We have been provided with and have considered the title documents relating to the property interests in the other jurisdictions covered under this report. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, the records of planning approvals, statutory notices, easements, tenancies, site areas, floor areas, development schemes, construction costs, historical performance, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

For the purpose of valuation, we have adopted the gross floor areas or saleable areas as the valuation basis. Gross floor areas were measured and/or checked by the local government officers and being commonly adopted in the property market in the subject regions. And, in line with prevailing local practices in the PRC, Hong Kong, Malaysia, Singapore and Vietnam, gross floor areas and/or saleable areas are used in our valuation. No re-measurement of the floor areas by International Property Measurement Standards as recommended by the RICS Standards was conducted in this report.

We have inspected the exterior, the common parts and, where possible, the interior of the properties. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for the proposed development and any future development. We have not carried out any investigation into past or present uses, either of the properties or of any neighboring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

The monetary amounts are stated in Hong Kong Dollars (“HK\$”). The exchange rates adopted in our valuation are approximately Renminbi (“RMB”) 1 = HK\$1.151566, Malaysian Ringgit (“RM”) 1 = HK\$1.934081, Singapore Dollars (“S\$”) 1 = HK\$5.765868, and Vietnamese Dong (“VND”) 2,966.55 = HK\$1, which were adopted by the Group for financial reporting as at the Date of Valuation.

For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties are shown below. Profit tax is levied on the profit from the sale of the properties at 25% in the PRC, 16.5% in Hong Kong, 5% and 24% for investment properties and other properties respectively in Malaysia, 17% in Singapore, and 20% in Vietnam. In the PRC, value added tax and related taxes are levied at 5.7% of the transaction amount. In addition, land appreciation tax is levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.

For the property interests held by the Group for sale, under development and for future development as advised by the Group, the property interests are intended to be sold. Therefore, the likelihood of the relevant tax liability being crystallized is high. For the property interests held by the Group for investment and for occupation/operation, the likelihood of the potential tax liability being crystallized is considered remote as we are advised that as at 5 October 2018, being the latest practicable date for the purpose of ascertaining certain information for inclusion in the Scheme Document, the Group has no intention to dispose of such property interests. According to our standard practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

### **Limitation of Liabilities**

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

The responsible valuer(s) is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation assignment. Our findings or conclusion of values of the properties in this report are valid only for the stated purpose and at the Date of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer(s) accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where



appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding HK\$3,000,000. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits and opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,

For and on behalf of

**Crowe Horwath First Trust Appraisal Pte. Ltd.**

**Alex PW Leung** MHKIS MRICS RPS(GP)

Director

Encl.

*Note:* Mr Alex Leung is a member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr Leung has around 20 years' post qualified experience in valuing properties in the Asia-Pacific Region.

## SUMMARY OF VALUES

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP A1 – Property interests held by the Group for Investment in the PRC</b>			
A1.1 Guoson Mall, Retail Portion of Project Lot No. 1 Phase 1, Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC	HK\$603,400,000	65.2%	HK\$393,416,800
	<b>Sub-total of Group A1</b>		<b>HK\$393,416,800</b>
<b>GROUP A2 – Property interests held by the Group for Occupation/Operation in the PRC</b>			
A2.1 Basement Clubhouse at West End Point, No. 8 Taipingqiao Avenue, Xicheng District, Beijing, the PRC	No commercial value	–	No commercial value
A2.2 Level 3, Office Portion of Project Lot No. 1 Phase 1, Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC	HK\$51,800,000	65.2%	HK\$33,773,600
A2.3 Guoman Hotel, Daduhe Road, Putuo District, Shanghai, the PRC	HK\$763,500,000	65.2%	HK\$497,802,000
	<b>Sub-total of Group A2</b>		<b>HK\$531,575,600</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP A3 – Property interests held by the Group for Sale in the PRC</b>			
A3.1 139 Unsold Car Parking Spaces, Corporate Square, No. 35 Financial Street, Xicheng District, Beijing, the PRC	HK\$34,500,000	48.9%	HK\$16,870,500
A3.2 518 Unsold Underground Car Parking Spaces, Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC	HK\$137,000,000	65.2%	HK\$89,324,000
A3.3 82 Underground Car Parking Spaces, Central Park, Nos.1-8, Lane 111, Taoyuan Road, Huangpu District, Shanghai, the PRC	HK\$31,100,000	63.9%	HK\$19,872,900
A3.4 7 Unsold Apartment Units, Basement Storage Spaces and 913 Car Parking Spaces, Changfeng Residence (Changfeng Plot 9), Luding Road, 568 Lane, Putuo District, Shanghai, the PRC	HK\$428,400,000	82.6%	HK\$353,858,400
	<b>Sub-total of Group A3</b>		<b>HK\$479,925,800</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP A4 – Property interests held by the Group for Future Development in the PRC</b>			
A4.1 Vacant Land, Phase 2 of Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC	HK\$1,474,000,000	65.2%	HK\$961,048,000
A4.2 Yuzhong Qu Yuzhong Group District H No. 3-5/03, 5-1/04, 6-1/04 and 3-8-4/03 Parcels at Chongqing 18 Steps, Yuzhong District, Chongqing, the PRC	HK\$4,491,100,000	48.9%	HK\$2,196,147,900
	<b>Sub-total of Group A4</b>		<b>HK\$3,157,195,900</b>
<b>GROUP A5 – Property interests rented by the Group in the PRC</b>			
A5.1 Unit 1017, Level 10, South Tower, Beijing New World Centre, No. 3 Chongwenmen Avenue, Dongcheng District, Beijing, the PRC	No commercial value	–	No commercial value
A5.2 Units 3-4, Level 43, International Development Finance Building, No. 28 Minquan Road, Yuzhong District, Chongqing, the PRC	No commercial value	–	No commercial value
	<b>Sub-total of Group A5</b>		<b>No commercial value</b>
<b>GROUP B1 – Property interests held by the Group for Investment in Hong Kong</b>			
B1.1 12th and 15th Floors, The Center, 99 Queen’s Road Central, Hong Kong	HK\$1,390,000,000	100%	HK\$1,390,000,000
	<b>Sub-total of Group B1</b>		<b>HK\$1,390,000,000</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP B2 – Property interests rented/licenced by the Group in Hong Kong</b>			
B2.1 50th Floor, The Center, 99 Queen’s Road Central, Hong Kong	No commercial value	–	No commercial value
B2.2 Two Car Parking Spaces, The Center, 99 Queen’s Road Central, Hong Kong	No commercial value	–	No commercial value
	<b>Sub-total of Group B2</b>		<b>No commercial value</b>
<b>GROUP C1 – Property interests held by the Group for Investment in Malaysia</b>			
C1.1 A 3 ½ -storey elevated car park PM 3701/Lot 35181, Locality of Jalan Klang Lama, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia	HK\$10,300,000	44.4%	HK\$4,573,200
C1.2 Unsold car parks, office and retail portions located within an integrated commercial development known as Damansara City Kuala Lumpur held under Master title GRN 74955, Parent Lot 58303, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia	HK\$1,065,700,000	44.4%	HK\$473,170,800
		<b>Sub-total of Group C1</b>	<b>HK\$477,744,000</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP C2 – Property interests held by the Group for Occupation/Operation in Malaysia</b>			
C2.1 Residential and Hotel located within an integrated commercial development known as Damansara City Kuala Lumpur held under Master title GRN 74955, Parent Lot 58303, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia	HK\$1,168,200,000	44.4%	HK\$518,680,800
C2.2 Thistle Port Dickson and 6 other parcels of development lands fronting onto Jalan Port Dickson – Pasir Panjang, KM16, Telok Kemang, Port Dickson, Negeri Sembilan, Malaysia	HK\$265,000,000	65.2%	HK\$172,780,000
C2.3 Thistle Johor Bahru, Jalan Sungai Chat, Johor Bahru, Malaysia	HK\$295,900,000	45.7%	HK\$135,226,300
		<b>Sub-total of Group C2</b>	<b>HK\$826,687,100</b>
<b>GROUP C3 – Property interests held by the Group for Sale in Malaysia</b>			
C3.1 11 units of stratified retail/ office lot within Commerce One (also known as Menara K1), Jalan Klang Lama, Kuala Lumpur, Malaysia	HK\$11,000,000	44.4%	HK\$4,884,000
C3.2 56 unsold serviced apartment units within West Tower and East Tower of The Oval, located along Lorong Kuda, Kuala Lumpur, Malaysia	HK\$398,400,000	44.4%	HK\$176,889,600
C3.3 9 units of unsold 2-storey bungalow houses identified as Nos. 3, 5, 12, 13A, 16, 19, 20, 21 & 32, Jalan Anjung Residensi (also known as Amandarii), Seksyen 9, Bandar Kajang, District of Hulu Langat, Selangor Darul Ehsan, Malaysia	HK\$42,200,000	44.4%	HK\$18,736,800

		<b>Market Value as at 31 July 2018</b>	<b>Interests Attributable</b>	<b>Market Value Attributable to the Group as at 31 July 2018</b>
C3.4	Commercial portions of PJ City Corporate Hub, Section 51A, Petaling Jaya, Selangor Darul Ehsan, Malaysia held under Master Title PN 91908, Lot 13507 Seksyen 32, Bandar Petaling Jaya, District of Petaling, Selangor Darul Ehsan, Malaysia	HK\$330,700,000	44.4%	HK\$146,830,800
C3.5	382 units of unsold low-cost flats, Phases 6A and 6B, Bukit Rahman Putra, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan, Malaysia	HK\$30,900,000	44.4%	HK\$13,719,600
C3.6	15 units of unsold zero-lot bungalow (Phase 2D1) and 106 units vacant detached house plots (Phase 2D2), Municipality of Rawang, District of Gombak, State of Selangor, Malaysia	HK\$153,800,000	22.2%	HK\$34,143,600
C3.7	17 units of unsold 2-storey terrace house (Phase 3A), Mukim and District of Sepang, State of Selangor, Malaysia	HK\$16,600,000	21.0%	HK\$3,486,000
C3.8	Unit No. 4, Jalan Bayan 34, and Unit No. 28, Jalan Bayan 65, 2-storey low cost terrace houses at Lots 31623 & 31999, Mukim of Plentong, District of Johor Bahru, State of Johor, Malaysia	HK\$1,400,000	44.4%	HK\$621,600
			<b>Sub-total of Group C3</b>	<b>HK\$399,312,000</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP C4 – Property interests held by the Group Under Development in Malaysia</b>			
C4.1 Emerald Hill, 10 parcels of ‘Residential’ development land in Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia	HK\$508,700,000	44.4%	HK\$225,862,800
C4.2 Emerald Square, a parcel of ‘Commercial’ land in Pekan Ceras, District of Hulu Langat, Selangor Darul Ehsan, Malaysia	HK\$580,200,000	44.4%	HK\$257,608,800
C4.3 Phase 3 of Emerald West, HSD 86382/ Lot PT 48380, Municipality of Rawang, District of Gombak, State of Selangor, Malaysia	HK\$34,800,000	22.2%	HK\$7,725,600
C4.4 Phase 4C of Pantai Sepang Putra (South Portion), HSD 24312/Lot PT 7603 – HSD 24453/Lot PT 7744, all within Mukim and District of Sepang, Selangor, Malaysia	HK\$62,300,000	21.0%	HK\$13,083,000
	<b>Sub-total of Group C4</b>		<b>HK\$504,280,200</b>
<b>GROUP C5 – Property interests held by the Group for Future Development in Malaysia</b>			
C5.1 4 parcels of ‘Building’ land and 24 parcels of ‘Commercial’ terraced plots within Mukim of Rawang, District of Gombak (identified as Phase 6 of Bukit Rahman Putra); and 2 parcels of ‘Building’ land within Mukim of Sungai Buloh, District of Petaling (identified as Phases 8D and 5B of Bukit Rahman Putra), Selangor Darul Ehsan, Malaysia	HK\$2,700,000	44.4%	HK\$1,198,800



		<b>Market Value as at 31 July 2018</b>	<b>Interests Attributable</b>	<b>Market Value Attributable to the Group as at 31 July 2018</b>
C5.2	A parcel of residential land located within Taman Hill View, Selangor Darul Ehsan, Malaysia	HK\$63,200,000	44.4%	HK\$28,060,800
C5.3	A parcel of development land at Geran 20438, Lot 36 Section 1, Town of Batu Ferringhi, District of Timor Laut, Penang, Malaysia	HK\$68,700,000	44.4%	HK\$30,502,800
C5.4	9 parcels of development land (known as Jasin Lalang Estate), all within Mukim Jasin, District of Jasin and State Melaka, Malaysia	HK\$969,000,000	30.2%	HK\$292,638,000
C5.5	12 parcels of land within Emerald East, Section 18, Municipality of Rawang, District of Gombak, State of Selangor, Malaysia	HK\$54,200,000	22.2%	HK\$12,032,400
C5.6	9 parcels of land within Emerald West, Municipality of Rawang, District of Gombak, State of Selangor, Malaysia	HK\$518,300,000	22.2%	HK\$115,062,600
C5.7	5 parcels of development land located within Bagan Lalang, Sepang, GRN 251910/Lot 41, GRN 176674/Lot 3347, GRN 176675/Lot 5832, GM 273/Lot 223, GRN 118286/Lot 5773 and balance 658 subdivided titles within Mukim and District of Sepang, State of Selangor, Malaysia	HK\$1,856,700,000	21.0%	HK\$389,907,000
<b>Sub-total of Group C5</b>				<b>HK\$869,402,400</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP C6 – Property interests rented by the Group in Malaysia</b>			
C6.1 Storage Room 1, Mezzanine Floor, Connecting Podium, HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur, Malaysia	No commercial value	–	No commercial value
C6.2 Storage Rooms 1 and 2, MF Floor, Block B, HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur, Malaysia	No commercial value	–	No commercial value
C6.3 Storage Room 1, 16th Floor, Block B, HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur, Malaysia	No commercial value	–	No commercial value
	<b>Sub-total of Group C6</b>		<b>No commercial value</b>
<b>GROUP D1 – Property interests held by the Group for Investment in Singapore</b>			
D1.1 21 strata office units, Reversionary interest of 7 strata office units and Reversionary interest of 3 strata office units, No. 20 Collyer Quay, Singapore	HK\$2,790,700,000	65.2%	HK\$1,819,536,400
D1.2 Guoco Tower and Retail Portions of Tanjong Pagar Centre, Nos. 1, 5 & 7 Wallich Street, Singapore	HK\$13,780,400,000	52.2%	HK\$7,193,368,800
	<b>Sub-total of Group D1</b>		<b>HK\$9,012,905,200</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP D2 – Property interests held by the Group for Occupation/Operation in Singapore</b>			
D2.1 Sofitel Singapore City Centre, No. 9 Wallich Street, Singapore	HK\$2,121,800,000	52.2%	HK\$1,107,579,600
		<b>Sub-total of Group D2</b>	<b>HK\$1,107,579,600</b>
<b>GROUP D3 – Property interests held by the Group for Sale in Singapore</b>			
D3.1 138 unsold units at Wallich Residence at Tanjong Pagar Centre, No. 3 Wallich Street, Singapore	HK\$3,580,600,000	52.2%	HK\$1,869,073,200
D3.2 18 unsold apartment units and 6 unsold shop units at Sims Urban Oasis, Nos. 6/8/16 Sims Drive, Singapore	HK\$262,900,000	65.2%	HK\$171,410,800
D3.3 24 apartments, Leedon Residence, Lots 2219N, 2220A, 2222N, 2228V, 2229P, 2464L and 70000W of Mukim 2, Leedon Heights, Singapore	HK\$574,300,000	65.2%	HK\$374,443,600
		<b>Sub-total of Group D3</b>	<b>HK\$2,414,927,600</b>
<b>GROUP D4 – Property interests held by the Group Under Development in Singapore</b>			
D4.1 Retail and Office Portions of URA Land Parcel at Beach Road/ Nicoll Highway, Singapore	HK\$8,129,900,000	45.7%	HK\$3,715,364,300
D4.2 Residential Portion of URA Land Parcel at Beach Road/ Nicoll Highway, Singapore	HK\$1,412,600,000	75.7%	HK\$1,069,388,200
D4.3 Martin Modern, Nos. 8 & 10 Martin Place, Singapore	HK\$4,168,700,000	65.2%	HK\$2,717,992,400
		<b>Sub-total of Group D4</b>	<b>HK\$7,502,694,900</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP D5 – Property interests held by the Group for Future Development in Singapore</b>			
D5.1 Reversionary interest of Lots 99951A, 99952K and 99953N of Town Subdivision 30, No. 61 Robinson Road, Singapore	HK\$60,000,000	65.2%	HK\$39,120,000
	<b>Sub-total of Group D5</b>		<b>HK\$39,120,000</b>
<b>GROUP D6 – Property interests to be acquired by the Group for Future Development in Singapore</b>			
D6.1 Casa Meyfort Condominium, No. 79 Meyer Road, Singapore	No commercial value	–	No commercial value
	<b>Sub-total of Group D6</b>		<b>No commercial value</b>
<b>GROUP E1 – Property interests held by the Group for Investment in Vietnam</b>			
E1.1 Office and retail building – (Canary Plaza), a portion of Phase I, GuocoLand Complex Project, Lot No. 42, National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	HK\$22,300,000	65.2%	HK\$14,539,600
	<b>Sub-total of Group E1</b>		<b>HK\$14,539,600</b>
<b>GROUP E2 – Property interests held by the Group for Sale in Vietnam</b>			
E2.1 113 Unsold Residential Apartment Units, Phase II of GuocoLand Complex Project, National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	HK\$68,400,000	65.2%	HK\$44,596,800
	<b>Sub-total of Group E2</b>		<b>HK\$44,596,800</b>

Property	Market Value as at 31 July 2018	Interests Attributable	Market Value Attributable to the Group as at 31 July 2018
<b>GROUP E3 – Property interests held by the Group for Future Development in Vietnam</b>			
E3.1 Residential Development, Phases III and IV of GuocoLand Complex Project, Lots No. 160, 161 National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	HK\$110,600,000	65.2%	HK\$72,111,200
E3.2 Office/ hotel Development, Phase II of GuocoLand Complex Project, Lot No. 158, Map E2 and Lot No. 42, Map F1, National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	HK\$29,600,000	65.2%	HK\$19,299,200
E3.3 Commercial Development of Proposed Project/ Lot No. 157, Map E2 and Lot No. 41, Map F1 (lot 6 within GuocoLand Complex), National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	HK\$31,600,000	65.2%	HK\$20,603,200
		<b>Sub-total of Group E3</b>	<b>HK\$112,013,600</b>
		<b>Grand Total:</b>	<b>HK\$29,277,917,100</b>

## Group A1 – Property interests held by the Group for Investment in the PRC

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018															
A1.1 Guoson Mall, Retail Portion of Project Lot No. 1 Phase 1, Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC	Guoson Centre Changfeng is a mixed-use project developing in phases. Completed in December 2012, the subject property consists of a 4-storey retail block (plus a basement) in Phase 1 of the development.  The development comprises the subject property, Property Nos. A2.2, A2.3, A3.2 and A4.1. The total gross floor area of the subject property is approximately 48,016.11 sqm, the breakdown of which is as follows:	According to the information provided by the Group, portions of the property with 4,593.8 sqm were tenanted at a total monthly rental of approximately RMB358,320.49 with the latest expiry date on 31 August 2021.  The remaining portion of the Property was vacant.	<b>HK\$603,400,000</b> (RMB524,000,000 RENMINBI FIVE HUNDRED TWENTY-FOUR MILLION)  65.2% interests attributable to the Company: <b>HK\$393,416,800</b>															
The property is located within the Changfeng Ecology Commercial District, which is in the vicinity of Zhongshan Park CBD, Gubei CBD and Hongqiao CBD. The property is near the 360,000-sqm Changfeng Park and the commercial project Beian Changfeng.	<table border="1"> <thead> <tr> <th>Level</th> <th>Usage</th> <th>Approximate GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>1-4</td> <td>Retail</td> <td>28,861.31</td> </tr> <tr> <td>B1</td> <td>Retail</td> <td>11,562.91</td> </tr> <tr> <td>Car parks (B1)</td> <td>Special Usage</td> <td><u>7,591.89</u></td> </tr> <tr> <td><b>Total:</b></td> <td></td> <td><b><u>48,016.11</u></b></td> </tr> </tbody> </table>	Level	Usage	Approximate GFA (sqm)	1-4	Retail	28,861.31	B1	Retail	11,562.91	Car parks (B1)	Special Usage	<u>7,591.89</u>	<b>Total:</b>		<b><u>48,016.11</u></b>		
Level	Usage	Approximate GFA (sqm)																
1-4	Retail	28,861.31																
B1	Retail	11,562.91																
Car parks (B1)	Special Usage	<u>7,591.89</u>																
<b>Total:</b>		<b><u>48,016.11</u></b>																
	The land use rights of the site are held for a term to be expired on 10 December 2055.																	

**Notes:**

- According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaolong Property Development Co., Ltd. (“Shanghai Xinhaolong”, 上海新浩隆房地產開發有限公司).
- As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- According to the State-owned Land Use Rights Grant Contract No. Pu Fang Di (2005) Grant Contract (64) dated 11 December 2005, the land use rights of the site where the development is erected/to be erected with a land area of approximately 143,846 sqm were granted to Shanghai Xinhaolong.
- According to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Pu Zi (2011) 000514 dated 14 January 2011, the land use rights of the site were granted to Shanghai Xinhaolong for retail, culture, entertainment, office and complex uses for a term to be expired on 10 December 2055. The total gross floor area of the property is approximately 49,364.73 sqm.

- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.
  
- f) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
  - (i) Shanghai Xinhaolong is in possession of a proper legal title to the property and has the right to freely occupy, use, lease, mortgage and transfer the land use rights and building ownership of the property; and
  - (ii) The property is free from mortgage.
  
- g) An inspection was carried out by Mr. Sean Wu, MRICS in August 2018.

## Group A2 – Property interests held by the Group for Occupation/Operation in the PRC

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
A2.1	Basement Clubhouse at West End Point, No. 8 Taipingqiao Avenue, Xicheng District, Beijing, the PRC  The property is located close to Jinrong Avenue and can be easily accessed by either Metro Line No. 2 or No. 4.	Completed in August 2008, the subject property consists of basement space in a residential estate.  As informed, the gross floor area of the subject Basement Clubhouse is approximately 1,498 sqm.  The land use rights of the site are held for a term to be expired on 26 August 2054 for underground car park space, underground warehouse, and underground office use (property management room), 26 August 2074 for residential use and 26 August 2044 for commercial use.	As informed, the subject property was occupied by residents as common facilities of the estate.	No commercial value

**Notes:**

- a) Pursuant to the following state-owned Land Use Rights Certificate, the ownership rights of the site are held by Beijing Jiangsheng Real Estate Development Co., Ltd. (“Beijing Jiangsheng”, 北京江盛房地產開發有限公司). The details of the certificate are summarized as below:

<b>Land Use Rights Certificate Number</b>	<b>Site Area (sqm)</b>	<b>Usage</b>	<b>Expiry Date</b>
Jing Shi Xi She Wai Guo Yong (2006 Chu) 10412	36,501.02	Residential Commercial Underground car park space, underground warehouse, and underground office	26 August 2074 26 August 2044 26 August 2054
<b>Total:</b>	<b>36,501.02</b>		

- b) Pursuant to the following Building Ownership Certificate, the ownership rights of the property are held by Beijing Jiangsheng. The details of the certificate are summarized as below:

<b>Realty Title Certificate Number</b>	<b>GFA (sqm)</b>	<b>Usage</b>	<b>Expiry Date</b>
X Jing Fang Quan Zheng Shi Xi She Wai Zi 17559	138,732.32	Car park space, ancillary room, commercial & office, commercial ancillary facility management room, residential, and bicycle parking space	Undefined

- c) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.



- d) We have been provided with a legal opinion on the property interests by the Company's PRC legal adviser, which contains, inter alia, the following information:
  - (i) The project has been granted with relevant permits and is free from mortgage or other encumbrances; and
  - (ii) The current use of the property is a basement clubhouse and does not have any separate title certificate.
- e) As per the above legal opinion, the subject property has been occupied as a common facility of the residents. Since there is no rental income receivable and the property does not have separate title certificate, we considered the property has no commercial value.
- f) An external inspection to the estate was carried out by Mr. Marco Leung, BAA in August 2018.

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
A2.2	Level 3, Office Portion of Project Lot No. 1 Phase 1, Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC  The property is located within the Changfeng Ecology Commercial District, which is in the vicinity of Zhongshan Park CBD, Gubei CBD and Hongqiao CBD. The property is near the 360,000-sqm Changfeng Park and the commercial project Beian Changfeng.	Guoson Centre Changfeng is a mixed-use project developing in phases. Completed in 2012, the subject property consists of the third floor of a 24-storey office building in Phase 1 of the development.  The development comprises the subject property, Property Nos. A1.1, A2.3, A3.2 and A4.1.  The gross floor area of the subject office block is approximately 2,177.60 sqm above ground plus underground storage and equipment room.  The land use rights of the site are held for a term to be expired on 10 December 2055.	The subject property was used by the Group as office upon our inspection.	<b>HK\$51,800,000</b> (RMB45,000,000 RENMINBI FORTY-FIVE MILLION)  65.2% interests attributable to the Company: <b>HK\$33,773,600</b>

**Notes:**

- a) According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaolong Property Development Co., Ltd. (“Shanghai Xinhaolong”, 上海新浩隆房地產開發有限公司).
- b) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) According to the State-owned Land Use Rights Grant Contract No. Pu Fang Di (2005) Grant Contract (64) dated 11 December 2005, the land use rights of the site with a site area of approximately 143,846 sqm were granted to Shanghai Xinhaolong.
- d) According to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Pu Zi (2012) 008165 dated 6 June 2012, the land use rights of the site were granted to Shanghai Xinhaolong for retail, culture, entertainment, office and complex uses for a term to be expired on 10 December 2055. The property with a gross floor area of approximately 2,177.60 sqm is for office uses.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.
- f) We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
  - (i) Shanghai Xinhaolong is in possession of a proper legal title to the property and has the right to freely occupy, use, lease, mortgage and transfer the land use rights and building ownership of the property; and
  - (ii) The property is free from mortgage.
- g) An inspection was carried out by Mr. Sean Wu, MRICS, in August 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
A2.3 Guoman Hotel, Daduhe Road, Putuo District, Shanghai, the PRC	Guoson Centre Changfeng is a mixed-use project developing in phases. The subject property consists of a 442-room luxury hotel in Phase 1 of the development. The subject property has been completed in June 2010.	The subject property was in the operation as hotel upon our inspection.	<b>HK\$763,500,000</b> (RMB663,000,000 RENMINBI SIX HUNDRED SIXTY-THREE MILLION)
The property is located within the Changfeng Ecology Commercial District, which is in the vicinity of Zhongshan Park CBD, Gubei CBD and Hongqiao CBD. The property is near the 360,000-sqm Changfeng Park and the commercial project Beian Changfeng.	The development comprises the subject property, Property Nos. A1.1, A2.2, A3.2 and A4.1. The hotel is 26-storey in height with facilities including restaurants, bars, meeting rooms/ballrooms, swimming pool and gymnasium. The gross floor area of the property is as follow:		65.2% interests attributable to the Company: <b>HK\$497,802,000</b>
	<b>Gross Floor Area (sqm)</b>		
	Hotel	40,667.66	
	Underground equipment room	5,107.32	
	<b>Total:</b>	<b>45,774.98</b>	
	The land use rights of the site for hotel use are held for a term to be expired on 10 December 2055.		

**Notes:**

- a) According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaolong Property Development Co., Ltd. ("Shanghai Xinhaolong", 上海新浩隆房地產開發有限公司).
- b) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) According to the State-owned Land Use Rights Grant Contract No. Pu Fang Di (2005) Grant Contract (64) dated 11 December 2005, the land use rights of the site with a site area of approximately 143,846 sqm were granted to Shanghai Xinhaolong.
- d) According to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Pu Zi (2011) 001529 dated 26 January 2011, the land use rights of the site were granted to Shanghai Xinhaolong for retail, culture, entertainment, office and complex uses for a term to be expired on 10 December 2055. The gross floor area of the property is approximately 45,774.98 sqm.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.

- f) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
  - (i) Shanghai Xinhaolong is in possession of a proper legal title to the property and has the right to freely occupy, use, lease, mortgage and transfer the land use rights and building ownership of the property; and
  - (ii) The property is free from mortgage.
- g) An inspection was carried out by Mr. Sean Wu, MRICS in August 2018.

## Group A3 – Property interest held by the Group for Sale in the PRC

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
A3.1 139 Unsold Car Parking Spaces, Corporate Square, No. 35 Financial Street, Xicheng District, Beijing, the PRC  The property is located on Financial Street of the city, where it can be easily accessed by Metro Line Nos. 1 and 2.	The development is a Grade A office building completed in 1999.  The subject property consists of 3 car parking spaces in basement level one and 136 car parking spaces in basement level two.  The land use rights of the site are held for a term to be expired on 18 July 2045.	As informed, the parking spaces had been let out on short term basis.	<b>HK\$34,500,000</b> (RMB30,000,000 RENMINBI THIRTY MILLION)  48.9% interests attributable to the Company: <b>HK\$16,870,500</b>

**Notes:**

- a) Pursuant to the following State-owned Land Use Rights Certificate, the ownership rights of the site are held by Beijing Minghua Property Co., Ltd. (“Beijing Minghua”, 北京明華置業有限公司). The details of the certificate are summarized as below:

Realty Title Certificate Number	Site Area (sqm)	Usage	Expiry Date
Jing Shi Xi She Wai Yong (1999 Chu) Zi 10062	14,501.73	Integrated	18 July 2045
<b>Total:</b>	<b>14,501.73</b>		

- b) Pursuant to the following Building Ownership Certificate, the ownership rights of the property are held by Beijing Minghua. The details of the certificate are summarized as below:

Realty Title Certificate Number	GFA (sqm)	Usage	Expiry Date
Jing Fang Quan Zheng Shi Xi She Wai Zi 10050	110,679.67	Undefined	18 July 2045
	Remarks: A 17-storey reinforced concrete structure:	91,433.98 sqm	
		Underground room:	18,257.09 sqm
		Ancillary room:	988.6 sqm

- c) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 48.9% attributable interest.
- d) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.

- e) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) Beijing Minghua has obtained the Realty Title Certificate No. Jing Fang Quan Zheng Shi Xi She Wai Zi 10050;
  - (ii) Beijing Minghua confirmed that 139 car parking spaces which included in the Realty Title Certificate No. Jing Fang Quan Zheng Shi Xi She Wai Zi 10050 are not split for individual certificate;
  - (iii) Beijing Minghua confirmed that no third party which has the ownership of these car parking spaces and Beijing Minghua has the legal right to occupy, use, lease, mortgage and sale the car parking space mentioned above, and the relevant approval or permission will be obtained from the related authorities; and
  - (iv) According to a statement made by Beijing Minghua on 31 July 2018, there is no mortgage and/or seized up on the ownership of 139 car parking spaces mentioned above and the land use rights.
- f) An exterior inspection was carried out by Mr. Marco Leung, BAA in August 2018.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
A3.2 518 Unsold Underground Car Parking Spaces, Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC	Guoson Centre Changfeng is a mixed-use project developing in phases. The subject property consists of various underground car parking spaces in the development.  The development comprises the subject property, Property Nos. A1.1, A2.2, A2.3 and A4.1.  The gross floor area of the subject underground car parking spaces is approximately 81,797.84 sqm, which have a total 518 car parking spaces.  The land use rights of the site are held for a term to be expired on 10 December 2055.	The subject property had been let out on short term basis.	<b>HK\$137,000,000</b> (RMB119,000,000 RENMINBI ONE HUNDRED NINETEEN MILLION)  65.2% interests attributable to the Company: <b>HK\$89,324,000</b>
The property is located within the Changfeng Ecology Commercial District, which is in the vicinity of Zhongshan Park CBD, Gubei CBD and Hongqiao CBD. The property is near the 360,000-sqm Changfeng Park and the commercial project Beian Changfeng.			

*Notes:*

- According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaolong Property Development Co., Ltd. (“Shanghai Xinhaolong”, 上海新浩隆房地產開發有限公司).
- As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- According to the State-owned Land Use Rights Grant Contract No. Pu Fang Di (2005) Grant Contract (64) dated 11 December 2005, the land use rights of the site with a site area of approximately 143,846 sqm were granted to Shanghai Xinhaolong.
- Pursuant to the following Shanghai Real Estate Ownership Certificate, the ownership rights of the site are held by the Shanghai Xinhaolong. The details of the certificate are summarized as below:

Real Estate Ownership Certificate Number	Site Area (sqm)	Usage	Expiry Date
Hu Fang Di Pu Zi (2011) 000513	50,633.45	retail, culture, entertainment, office and complex	10 December 2055
Hu Fang Di Pu Zi (2016) 019277	31,164.39	retail, culture, entertainment, office and complex	10 December 2055
<b>Total:</b>	<b>81,797.84</b>		

- As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.

- f) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
  - (i) Shanghai Xinhaolong is in possession of a proper legal title to the property and has the right to freely occupy, use, lease, mortgage and transfer the land use rights and building ownership of the property; and
  - (ii) The property is free from mortgage.
- g) An inspection was carried out by Mr. Sean Wu, MRICS in August 2018.



## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
A3.3	82 Underground Car Parking Spaces, Central Park, Nos. 1-8, Lane 111, Taoyuan Road, Huangpu District, Shanghai, the PRC	Completed in 2005, the property comprises 82 lots of underground car parking spaces. The gross floor area of whole carpark is approximately 9,261.45 sqm.	As advised by the Group, the property is vacant.	<b>HK\$31,100,000</b> (RMB27,000,000 RENMINBI TWENTY-SEVEN MILLION)
	The property is located within the city centre, where is easily accessed by Metro Line 1 and Line 8.	The land use rights of the site are held for a term to be expired on 20 December 2071.		63.9% interests attributable to the Company: <b>HK\$19,872,900</b>

*Notes:*

- a) According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaozhong Property Development Co., Ltd. (“Shanghai Xinhaozhong”, 上海新浩中房地產開發有限公司).
- b) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 63.9% attributable interest.
- c) According to the State-owned Land Use Rights Grant Contract No. Hu Fang Di (1996) Grant Contract (78) dated 3 December 2001, the land use rights of the site with a site area of approximately 14,841 sqm were granted to Shanghai Xinhaozhong.
- d) According to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Lu Zi (2006) 003382 dated 1 December 2006, the land use rights of the site were granted to Shanghai Xinhaozhong for residential uses for a term to be expired on 20 December 2071. The total gross floor area of the whole project is approximately 70,446.56 sqm.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, business tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.
- f) We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
  - (i) Shanghai Xinhaozhong is in possession of a proper legal title to the property and has the right to freely occupy, use, lease, mortgage and transfer the land use rights and building ownership of the property, and the relevant approval or permission will be further obtained from the related authorities; and
  - (ii) The property is free from mortgage.
- g) An inspection was carried out by Mr. Sean Wu, MRICS in August 2018.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018								
A3.4	<p>7 Unsold Apartment Units, Basement Storage Spaces and 913 Car Parking Spaces, Changfeng Residence (Changfeng Plot 9), Luding Road, 568 Lane, Putuo District, Shanghai, the PRC</p> <p>The property is located within the Changfeng Ecology Commercial District, which is in the junction of Zhongshan Park CBD, Gubei CBD and Hongqiao CBD. The property is near the 360,000-sqm Changfeng Park and the Beian Changfeng.</p>	<p>Completed in 2017, the property comprises 7 unsold apartment units with a total gross floor area of 1,110.1 sqm, basement storage spaces with a total gross floor area of 7,303.05 sqm and 913 car parking spaces with breakdown as below, all within a residential development, namely Changfeng Residence.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Type</th> <th style="text-align: right;">Numbers</th> </tr> </thead> <tbody> <tr> <td>Car parking spaces (non-air defense)</td> <td style="text-align: right;">763</td> </tr> <tr> <td>Car parking spaces (air defense)</td> <td style="text-align: right; border-bottom: 1px solid black;">150</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right; border-bottom: 3px double black;"><b>913</b></td> </tr> </tbody> </table> <p>The land use rights of the site are held for a term to be expired on 1 December 2081.</p>	Type	Numbers	Car parking spaces (non-air defense)	763	Car parking spaces (air defense)	150	<b>Total:</b>	<b>913</b>	<p>As informed, the subject property was basically vacant.</p> <p style="text-align: right;"><b>HK\$428,400,000</b> (RMB372,000,000 RENMINBI THREE HUNDRED SEVENTY-TWO MILLION)</p> <p style="text-align: right;">82.6% interests attributable to the Company: <b>HK\$353,858,400</b></p>
Type	Numbers										
Car parking spaces (non-air defense)	763										
Car parking spaces (air defense)	150										
<b>Total:</b>	<b>913</b>										

**Notes:**

- a) According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaojia Property Development Co., Ltd. ("Shanghai Xinhaojia", 上海新浩嘉房地產開發有限公司).
- b) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has an 82.6% attributable interest.
- c) According to the State-owned Land Use Rights Grant Contract No. Hu Pu Gui Tu (2011) Grant Contract (19) dated 31 October 2011, the land use rights of the subject site were granted to the Group for a consideration of RMB3,045,503,800.
- d) According to the Real Estate Ownership Certificate No. Hu Fang Di Pu Zi (2012) 005410 dated 25 April 2012, the land use rights of the site were granted to Shanghai Xinhaojia for residential uses for a term to be expired on 1 December 2081.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.
- f) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
  - (i) Shanghai Xinhaojia is in possession of a proper legal title to the property and has the right to freely occupy, use, lease, mortgage and transfer the land use rights and building ownership of the property, and the relevant approval or permission will be obtained from the related authorities; and
  - (ii) The property is free from mortgage.
- g) An external inspection was carried out by Mr. Sean Wu, MRICS in August 2018.

## Group A4 – Property interests held by the Group for Future Development in the PRC

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018													
A4.1	<p>Vacant Land, Phase 2 of Guoson Centre Changfeng, Daduhe Road, Putuo District, Shanghai, the PRC</p> <p>The property is located within the Changfeng Ecology Commercial District, which is in the vicinity of Zhongshan Park CBD, Gubei CBD and Hongqiao CBD. The property is near the 360,000-sqm Changfeng Park and the commercial project Beian Changfeng.</p>	<p>The subject site consists of total site area of approximately 143,846 sqm.</p> <p>Guoson Centre Changfeng, comprises of Property Nos. A1.1, A2.2, A2.3 and A3.2 which form Phase 1 of the development. The subject property will be Phase 2 of the development.</p> <p>The land area of Phase 2 is approximately 42,000 sqm. Upon completion, Phase 2 will comprise approximately a total gross floor area 147,992.23 sqm with breakdown as below.</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;"><b>Gross</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><b>Floor Area</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><b>(sqm)</b></td> </tr> <tr> <td style="padding-left: 20px;">Above ground</td> <td style="text-align: right;">83,289.70</td> </tr> <tr> <td style="padding-left: 20px;">Below ground</td> <td style="text-align: right;"><u>64,702.53</u></td> </tr> <tr> <td style="padding-left: 20px;"><b>Total:</b></td> <td style="text-align: right;"><b><u>147,992.23</u></b></td> </tr> </table>		<b>Gross</b>		<b>Floor Area</b>		<b>(sqm)</b>	Above ground	83,289.70	Below ground	<u>64,702.53</u>	<b>Total:</b>	<b><u>147,992.23</u></b>	<p>The property was vacant.</p>	<p><b>HK\$1,474,000,000</b> (RMB1,280,000,000 RENMINBI ONE BILLION TWO HUNDRED EIGHTY MILLION)</p> <p>65.2% interests attributable to the Company: <b>HK\$961,048,000</b></p>
	<b>Gross</b>															
	<b>Floor Area</b>															
	<b>(sqm)</b>															
Above ground	83,289.70															
Below ground	<u>64,702.53</u>															
<b>Total:</b>	<b><u>147,992.23</u></b>															
	<p>The land use rights of the site are held for a term to be expired on 10 December 2055.</p>															

**Notes:**

- a) According to the records of Shanghai Plan and Land Resources Administration, the registered owner of the property is Shanghai Xinhaolong Property Development Co., Ltd. (“Shanghai Xinhaolong”, 上海新浩隆房地產開發有限公司).
- b) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) According to the State-owned Land Use Rights Grant Contract No. Pu Fang Di (2005) Grant Contract (64) dated 11 December 2005, the land use rights of the site where the development is erected/to be erected with a land area of approximately 143,846 sqm were granted to Shanghai Xinhaolong.
- d) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.

- e) We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
  - (i) The development of which the property occupied portion has been granted with State-owned Land Use Rights Grant Contract and Shanghai Certificate of Real Estate Ownership and is free from mortgage or other encumbrances.
  
- f) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Permit	Not yet available
(iv)	Construction Works Planning Permit	Not yet available
(v)	Construction Works Commencement Permit	Not yet available
(vi)	Pre-sale Permit	Not yet available
(vii)	Construction Works Completion Certified Report	Not yet available
  
- g) An external inspection was carried out by Mr. Sean Wu, MRICS in August 2018.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
A4.2 Yuzhong Qu Yuzhong Group District H No. 3-5/03, 5-1/04, 6-1/04 and 3-8-4/03 Parcels at Chongqing 18 Steps, Yuzhong District, Chongqing, the PRC	The subject site consists of total site area of approximately 48,961 sqm.  Chongqing 18 Steps comprises of Yuzhong Group District H No. 3-5/03, 5-1/04, 6-1/04 and 3-8-4/03 Parcels.	The land was vacant upon our inspection.	<b>HK\$4,491,100,000</b> (RMB3,900,000,000 RENMINBI THREE BILLION NINE HUNDRED MILLION)
The property is located in Yuzhong District, where it can be easily accessed by Chongqing Rail Transit Line Nos. 1 and 2.	Upon completion, Chongqing 18 Steps will comprise approximately a total gross floor area above ground of 513,600 sqm excluding underground portions.		48.9% interests attributable to the Company: <b>HK\$2,196,147,900</b>
	The land use rights of the site are held for a term to be expired on 29 June 2057 and 29 June 2067 for commercial/office uses and residential use respectively.		

**Notes:**

- a) Pursuant to State-owned Construction Land Use Rights Grant Contract between Land Resources And House Management Bureau, Chongqing Yuzhong District and Chongqing Yuzhong Xinhaojun Real Estate Development Co., Ltd. ("Chongqing Yuzhong Xinhaojun", 重慶渝中新浩郡房地產開發有限公司) dated 28 December 2016,
- (i) The land was purchased at a consideration of RMB3,640,560,000;
  - (ii) The maximum gross floor areas are 79,245 sqm, 69,865 sqm and 364,490 sqm respectively for commercial, office and residential uses respectively;
  - (iii) Two historical units, namely former Embassy of France and Daguanping stone carving, have to be preserved on site;
  - (iv) Construction works on the land have to be commenced on/before 30 June 2018, and could be delayed for not than one year upon an approval from the land grantor; and
  - (v) Construction works have to be completed on/before 30 June 2021.
- b) Pursuant to four Realty Title Certificates, the land use rights of land with a total site area of approximately 48,961 sqm have been granted to Chongqing Yuzhong Xinhaojun. As advised by the Company, the grantee is a subsidiary of the Company. A summary of the said certificates is as follows:

Certificate Number	Site Area (sqm)	Usage	Land Use Term Expiry Date
Yu (2017) Yu Zhong Qu Bu Dong Chan Quan 001297176	6,572	Residential	29 June 2067
Yu (2017) Yu Zhong Qu Bu Dong Chan Quan 001297525	9,292	Commercial	29 June 2057
Yu (2017) Yu Zhong Qu Bu Dong Chan Quan 001189110	17,140	Residential	29 June 2067
Yu (2017) Yu Zhong Qu Bu Dong Chan Quan 001189142	15,957	Commercial	29 June 2057

- c) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 48.9% attributable interest.
- d) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 25%, value added tax and related taxes levied at 5.7% of the transaction amount and land appreciation tax levied on the gains from appreciation of property value at progressive rates ranging from 30% to 60%, based on the land value appreciation amount.
- e) We have been provided with a legal opinion on the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:
- (i) Chongqing Yuzhong Xinhaojun is in possession of a proper title to the property and has the right to occupy, use, lease and mortgage of the land use rights of the property; and has the right to transfer the land use rights of the property upon the construction of the project meet 25% of total investment and subject to government's approvals.
- (ii) The project has been granted with relevant permits and is free from mortgage or other encumbrances.
- f) In our valuation, we have assumed the subject property is free from any additional land premium, grant fee, penalty on idle land, and other onerous payment to the relevant authorities. We have assumed the subject property is freely transferrable in the market.
- g) A summary of major certificates/approvals is shown as follows:
- |        |   |                    |
|--------|---|--------------------|
| (i)    | State-owned Construction Land Use Rights Grant Contract | Obtained           |
| (ii)   | State-owned Land Use Rights Certificate                 | Obtained           |
| (iii)  | Construction Land Use Planning Permit                   | Obtained           |
| (iv)   | Construction Works Planning Permit                      | Partially Obtained |
| (v)    | Construction Works Commencement Permit                  | Partially Obtained |
| (vi)   | Pre-sale Permit   | Not Yet Obtained   |
| (vii)  | Construction Works Completion Certified Report          | Not Yet Obtained   |
| (viii) | Building Ownership Certificate                          | Not Yet Obtained   |
- h) An external inspection was carried out by Mr. Marco Leung, BAA in July 2018.

## Group A5 – Property interests rented by the Group in the PRC

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
A5.1	Unit 1017, Level 10, South Tower, Beijing New World Centre, No. 3 Chongwenmen Avenue, Dongcheng District, Beijing, the PRC  The property is located in Dongcheng District, where it can be easily accessed by Metro Line Nos. 2 and 5.	Completed in 1995, the property comprises an office unit in a 16-storey commercial building within a composite retail, office, apartment and hotel complex.  The gross floor area of the subject office unit is approximately 101.31 sqm.  The property is leased from Beijing Youshi Technology Co., Ltd. to Guoson Investment Co., Ltd. for a term to be expired on 5 July 2020 at a monthly rent of RMB22,939 inclusive of management fee and central heating supply but exclusive of other utility charges.	The property is occupied by the Group for office use.	No commercial value

**Notes:**

- a) Pursuant to a tenancy agreement provided, Unit 1017 on Level 10 of Beijing New World Center with a GFA of 101.31 sqm has been leased to Guoson Investment Co., Ltd (國盛投資有限公司) for a term expiring on 5 July 2020 for office use.
- b) Pursuant to the Realty Title Certificate No. X Jing Fang Quan Zheng Dong Zi 046000, the ownership rights of the property are held by Beijing Youshi Technology Co., Ltd. (北京幼獅科技有限公司).
- c) As advised, the owner is an independent third party to the Group.
- d) The property interests are considered to have no commercial value due to lack of material value difference between the existing rent and the market level.
- e) An external inspection was carried out by Mr. Harry Sung in September 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
A5.2 Units 3-4, Level 43, International Development Finance Building, No. 28 Minquan Road, Yuzhong District, Chongqing, the PRC  The property is located in Yuzhong District, where it can be easily accessed by Chongqing Rail Transit Line Nos. 1 and 2.	Completed in 2011, the property comprises two high floor office units in a 56-storey commercial building.  The gross floor area of the subject office unit is approximately 505.45 sqm.  The property is leased from Chongqing Yingli Real Estate Development Co., Ltd. to Chongqing Yuzhong Xinhaojun Real Estate Development Co., Ltd. for a term to be expired on 31 May 2019 at a monthly rent of RMB63,181 exclusive of management fees and utility charges.	The property is occupied by the Group for office use.	No commercial value

**Notes:**

- a) Pursuant to a tenancy agreement provided, Units 3-4 on Level 43 of International Development Finance Building with a GFA of 505.45 sqm has been leased to Chongqing Yuzhong Xinhaojun Real Estate Development Co., Ltd. (重慶渝中新浩郡房地產開發有限公司) for a term expiring on 31 May 2019 for office use.
- b) Pursuant to the following Realty Title Certificate, the ownership rights of the certain portions of the commercial building are held by Chongqing Yingli Real Estate Development Co., Ltd. (重慶英利房地產開發有限公司). The details of the certificate are summarized as below:

Realty Title Certificate Number	GFA (sqm)	Usage	Expiry Date
101 Fang Di Zheng 2014 Zi 12815	28,627.61	Office	20 December 2044

- c) As advised, the owner is an independent third party to the Group.
- d) The property interests are considered to have no commercial value due to the short remaining term of the lease and lack of material value difference between the existing rent and the market level.
- e) An internal inspection was carried out by Mr. Marco Leung, BAA in July 2018.



## Group B1 – Property interests held by the Group for Investment in Hong Kong

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market value as at 31 July 2018</u>
B1.1	12th and 15th Floors, The Center, 99 Queen's Road Central, Hong Kong  3566/172379 equal and undivided shares of and in Inland Lot No. 8827  The property is located between the Central and Sheung Wan commercial districts. Central and Hong Kong MTR Stations are within a short walking distance from the property.	The property comprises two whole low office floor in a 73-storey office building completed in 1998. Retail shops, banks, restaurants, car parking spaces are provided in podium and basement levels.  The saleable area of the property is measured to be 3,075.62 sqm (33,106 sqft).  The property is held under Conditions of Exchange No. 12379 for a term from 24 November 1995 until 30 June 2047. The annual Government Rent is equivalent to 3% of the rateable value of the property.	According to the information provided by the Company, the property had been leased to various tenants at a total monthly rental of HK\$1,352,840, exclusive of government rent, rates, management fees and air-conditioning charges with the latest expiry date on 11 October 2019.	<b>HK\$1,390,000,000</b> (HONG KONG DOLLARS ONE BILLION THREE HUNDRED NINETY MILLION)  100% interests attributable to the Company: HK\$1,390,000,000

*Notes:*

- a) The registered owner of the property is Supreme Goal Investments Limited vide Memorial No. UB7604071 dated 12 October 1998.
- b) As informed by the Company, the registered owner is a direct wholly owned subsidiary of the Company.
- c) The property is subject to the following encumbrances:
  - (i) Occupation Permit No. H44/98 vide Memorial Nos. UB7511436 and UB7620861 dated 13 June 1998;
  - (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. UB7603348 dated 12 October 1998; and
  - (iii) Sub-Deed of Mutual Covenant (supplemental to Memorial No. UB7603348) vide Memorial No. UB9024549 dated 29 September 2003.
- d) The property lies within "Commercial (2)" zone under Approved Sai Ying Pun and Sheung Wan Outline Zoning Plan.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 16.5%.
- f) An inspection to exterior and certain common parts of the development was carried out by Mr. Alex PW Leung MHKIS, MRICS, in August 2018.

## Group B2 – Property interests Rented/Licensed by the Group in Hong Kong

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market value as at 31 July 2018</u>
B2.1	50th Floor, The Center, 99 Queen's Road Central, Hong Kong  1854/172379 equal and undivided shares of and in Inland Lot No. 8827  The property is located between the Central and Sheung Wan commercial districts. Central and Hong Kong MTR Stations are within a short walking distance from the property.	The property comprises a whole floor in a 73-storey office building completed in 1998. Retail shops, banks, restaurants, car parking spaces are provided in the podium and basement levels.  The saleable area of the property is measured to be 1,828.40 sqm (19,681 sqft).  The property is held under Conditions of Exchange No. 12379 for a term from 24 November 1995 until 30 June 2047. The annual Government Rent is equivalent to 3% of the rateable value of the property.	According to the information provided by the Group, the property is currently occupied by the Group, subject to a tenancy of fixed term of 3 years to be expiry on 31 December 2018 at a monthly rental is HK\$1,612,600, inclusive of Government rent and rates, but exclusive of management fees and air-conditioning charges.	No commercial value

**Notes:**

- a) The registered owner of the subject property is The Center (50) Limited.
- b) As advised, the registered owner is an independent third party to the Group as at the Date of Valuation.
- c) The property is subject to the following encumbrances:
  - (i) Occupation Permit No. H44/98 vide Memorial Nos. UB7511436 and UB7620861 dated 13 June 1998;
  - (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. UB7603348 dated 12 October 1998; and
  - (iii) Sub-Deed of Mutual Covenant (supplemental to Memorial No. UB7603348) vide Memorial No. UB9024549 dated 29 September 2003.
- d) The property lies within "Commercial (2)" zone under Approved Sai Ying Pun and Sheung Wan Outline Zoning Plan.
- e) The property interests are considered to have no commercial value due to the short remaining term of the lease and lack of material value difference between the existing rent and the market level.
- f) An inspection to exterior and certain common parts of the development was carried out by Mr. Alex PW Leung MHKIS, MRICS, in August 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market value as at 31 July 2018</u>
B2.2 Two Car Parking Spaces, The Center, 99 Queen's Road Central, Hong Kong	The property comprises rights to park two cars in a 73-storey office building completed in 1998. Retail shops, banks, restaurants, car parking spaces are provided.	According to the information provided by the Group, the property is licensed from the owner on monthly basis.	No commercial value
Certain equal and undivided shares of and in Inland Lot No. 8827	As informed, the subject comprises a fixed car parking space and a floating car parking space.		
The property is located between the Central and Sheung Wan commercial districts. Central and Hong Kong MTR Stations are within a short walking distance from the property.	The property is held under Conditions of Exchange No. 12379 for a term from 24 November 1995 until 30 June 2047. The annual Government Rent is equivalent to 3% of the rateable value of the property.		

**Notes:**

- a) The registered owner of the subject property is The Center (Car Parks) Limited.
- b) As advised, the registered owner is an independent third party to the Group.
- c) The property is subject to the following encumbrances:
  - (i) Occupation Permit No. H44/98 vide Memorial Nos. UB7511436 and UB7620861 dated 13 June 1998;
  - (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. UB7603348 dated 12 October 1998; and
  - (iii) Sub-Deed of Mutual Covenant (supplemental to Memorial No. UB7603348) vide Memorial No. UB9024549 dated 29 September 2003.
- d) The property lies within "Commercial (2)" zone under Approved Sai Ying Pun and Sheung Wan Outline Zoning Plan.
- e) The subject property interests are considered to have no commercial value due to the short term of the licence.
- f) An inspection to the common parts of the development was carried out by Mr. Alex PW Leung MHKIS, MRICS, in August 2018.

## Group C1: Property interests held by the Group for Investment in Malaysia

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C1.1	<p>A 3 ½-storey elevated car park PM 3701/Lot 35181, Locality of Jalan Klang Lama, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia</p> <p>The subject property is located at Bedford Business Park, off Jalan Klang Lama, Kuala Lumpur at approximately 10 km south west of the City Centre of Kuala Lumpur.</p>	<p>The subject property is a purpose built 3 ½-storey car park block accommodating a total of 204 car parking bays.</p> <p>The land use term of the site is a 99-year leasehold interest expiring on 16 July 2088.</p> <p>The subject development was completed in 1998.</p> <p>The annual land rent payable to the government is RM10,047.</p>	<p>The subject property is currently tenanted to Gerak Kilat Sdn Bhd for a term of 3 years from 1 May 2017 as follows:</p> <ul style="list-style-type: none"> <li>In the event that the gross revenue for the preceding month is RM60,000 and below, the rent payable to the Landlord for the succeeding month shall be RM12,000; or</li> <li>In the event that the gross revenue exceeds RM60,000 for the preceding month, the rent payable to the Landlord for the succeeding month shall be RM15,000.</li> </ul>	<p><b>HK\$10,300,000</b> (RM5,300,000 MALAYSIAN RINGGIT FIVE MILLION THREE HUNDRED THOUSAND)</p> <p>44.4% interests attributable to the Company: <b>HK\$4,573,200</b></p>

*Notes:*

- The basis of valuation is the Market Value of the unexpired 70-year leasehold interest in the subject property (held under PM 3701, Lot 35181, Locality of Jalan Klang Lama, Mukim of Petaling and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur) in its existing condition and subject to the assumption that its titles being free from encumbrances and registrable.
- According to the Group, the relevant approval documents (i.e. Approved Building Plans) in respect of the building are missing. The Group informed that the building was erected in accordance with all relevant and applicable laws at the time.
- The subject property is zoned for commercial (Restricted to car park usage only).
- Internal inspections to the subject property were carried out by Ms. Nur Qayyum Binti Muahamad Sanuri, B.Sc (Hons) Land Administration & Development on 14 August 2018.
- As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the investment property at 5%.

## f) Legal Details

Brief particulars extracted from the registered documents of titles provided by the Group are as follows:-

Title No.	:	PM 3701
Lot No.	:	Lot 35181
Locality	:	Jalan Klang Lama
Bandar/Pekan/Mukim	:	Mukim Petaling
District	:	Kuala Lumpur
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	99-year leasehold interest expiring on 16 July 2088
Title Land Area	:	2,912 sqm
Annual Rent	:	RM10,047.00
Category of Land Use	:	'Bangunan' (Building)
Express Condition	:	'Tanah ini hendaklah digunakan hanya untuk tapak bangunan tempat letak kereta sahaja.' <i>(This land is to be used for car parking only)</i>
Restrictions-In-Interest	:	'Tanah ini tidak boleh dipindahmilik, dipajak dan dicagar melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur.' <i>(This land cannot be transferred, leased and charged except by permission of the Federal Territory Land Kuala Lumpur)</i>
Registered Owner	:	Hume Development Sdn Bhd (As informed by the Group, Hume Development Sdn Bhd is now renamed as 'Bedford Industrial Development Sdn Bhd'. Bedford Industrial Development Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Nil

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
<p>C1.2 Unsold car parks, office and retail portions located within an integrated commercial development known as Damansara City Kuala Lumpur held under Master title GRN 74955, Parent Lot 58303, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia</p> <p>The subject property is located within Damansara Town Centre (DTC). It is bounded by three roads, i.e. Jalan Johar, Jalan Damanlela and Jalan Beringin.</p>	<p>The subject property comprises:</p> <p>i) The car park is located at basement levels 2, 3, 4, 5 and 6 of Damansara City Kuala Lumpur. It has a total 2,090 bays as updated until 23 June 2018. It is common and shared across the entire development;</p> <p>ii) Office Tower B (OTB or known as Guoco Tower) is a 19-storey office building with a net lettable area of approximately 234,531 sqft. It is accredited with LEED Gold Certification, Green Building Index (“GBI”) Certification and Multimedia Super Corridor (“MSC”) Malaysia Status; and</p> <p>iii) Retail portion is a 4-storey retail mall which operates under the DC Mall brand. It has a net lettable area of 171,499 sqft.</p> <p>A Certificate of Completion and Compliance bearing ref. no. LAM/WP/No. 8355 was issued by Kuala Lumpur City Hall (DBKL) dated 10 January 2018.</p> <p>The land use rights of the subject property is in perpetuity (Freehold).</p> <p>The annual rent (master title) payable to the government is RM111,953.</p>	<p>As at 23 June 2018, 1,580 parking bays were occupied by season pass.</p> <p>Based on the actual records provided, the occupancy rates of Office Tower B and DC Mall were approximately 97% and 82% respectively.</p>	<p><b>HK\$1,065,700,000</b> (RM551,000,000 MALAYSIAN RINGGIT FIVE HUNDRED FIFTY-ONE MILLION)</p> <p>44.4% interests attributable to the Company: <b>HK\$473,170,800</b></p>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in subject property (held under Master title Geran 74955, Parent Lot 58303, Mukim and District of Kuala Lumpur, WP Kuala Lumpur) in its existing condition, with vacant possession and subject to the parent title and title assumptions being free from encumbrances and registrable.
- b) The subject property is located within an area designated for commercial.
- c) The subject property is a newly completed property and the issuance of individual strata titles are still in progress. The absence of individual strata titles does not affect the Group’s title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
  - (i) The subject property will be issued with individual strata titles;
  - (ii) The title(s) to be issued for the subject property shall convey a freehold interest; and

- (iii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable.
- d) An internal inspection was carried out by Ms. Low Siu Kuan (Jane), B. (Hons) Estate Management on 14 August 2018.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the investment property at 5%.

f) Legal Details (Master Title)

As extracted from a private search printed on 27 August 2018:

Master title	:	Geran 74955
Parent lot	:	Lot 58303
Mukim	:	Kuala Lumpur
District	:	Kuala Lumpur
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Freehold
Title Land Area	:	32,450 sqm
Category of Land Use	:	Bangunan (Building)
Express Conditions	:	‘Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pangsapuri servis, hotel butik, pejabat dan ruang perniagaan sahaja.’ (This land is to be used as a commercial building for service apartment, boutique hotel and commercial space only.)
Restrictions-In-Interest	:	Nil
Registered Owner	:	Damansara City Sdn Bhd (As informed by the Group, Damansara City Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Charged to Public Bank Berhad via Presentation No. 28414/2012 dated 17 July 2012.
Private Caveat	:	A private caveat has been lodged against the title by Public Bank Berhad via Presentation No. 11047/2012 dated 29 June 2012.
Other Endorsements	:	Part of the land with 756 sqm in area has been leased to Tenaga Nasional Berhad from 30 March 2014 to 29 March 2044 (30 years) via Presentation No. 49445/2014 dated 17 December 2014.

## Group C2: Property interests held by the Group for Occupation/Operation in Malaysia

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C2.1	Residential and Hotel located within an integrated commercial development known as Damansara City Kuala Lumpur held under Master title GRN 74955, Parent Lot 58303, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia	<p>The subject property comprises:</p> <p>i) The residential portion comprises two (2) blocks of similar designed 27-storey serviced apartment building with a total of 370 units; and</p> <p>ii) The hotel is a 23-storey building providing 312 hotel rooms with 5-star rating which operates under the Sofitel brand.</p>	<p>As at 31 July 2018, there were 180 serviced apartment units remain unsold.</p> <p>Based on records provided, the average occupancy rate achieved by the hotel from August 2017 to June 2018 was approximately 31.7%.</p>	<p><b>HK\$1,168,200,000</b> (RM604,000,000 MALAYSIAN RINGGIT SIX HUNDRED AND FOUR MILLION)</p> <p>44.4% interests attributable to the Company: <b>HK\$518,680,800</b></p>
	The subject property is located within Damansara Town Centre (DTC). It is bounded by three roads, i.e. Jalan Johar, Jalan Damanlela and Jalan Beringin.	<p>A Certificate of Completion and Compliance bearing ref. no. LAM/WP/No. 8355 was issued by Kuala Lumpur City Hall (DBKL) dated 10 January 2018.</p> <p>The land use rights of the subject property is in perpetuity (Freehold).</p> <p>The annual rent (master title) payable to the government is RM111,953.</p>		

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in subject property (held under Master title Geran 74955, Parent Lot 58303, Mukim and District of Kuala Lumpur, WP Kuala Lumpur) in its existing condition, with vacant possession and subject to the parent title and title assumptions being free from encumbrances and registrable.
- b) The subject property is located within an area designated for commercial.
- c) The residential portion of subject property is a newly completed property and the issuance of individual strata titles are still in progress. The absence of individual strata titles does not affect the Group's title in such portion of the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
  - (i) The residential portion will be issued with individual strata titles;
  - (ii) The title(s) to be issued for the subject property shall convey a freehold interest; and
  - (iii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable.
- d) An internal inspection was carried out by Ms. Low Siu Kuan (Jane), B. (Hons) Estate Management on 14 August 2018.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.



## f) Legal Details (Master Title)

As extracted from a private search printed on 27 August 2018:

Master title	:	Geran 74955
Parent lot	:	Lot 58303
Mukim	:	Kuala Lumpur
District	:	Kuala Lumpur
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Freehold
Title Land Area	:	32,450 sqm
Category of Land Use	:	Bangunan (Building)
Express Conditions	:	'Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pangsapuri servis, hotel butik, pejabat dan ruang perniagaan sahaja.' (This land is to be used as a commercial building for serviced apartment, boutique hotel and commercial space only.)
Restrictions-In-Interest	:	Nil
Registered Owner	:	Damansara City Sdn Bhd (As informed by the Group, Damansara City Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Charged to Public Bank Berhad via Presentation No. 28414/2012 dated 17 July 2012.
Private Caveat	:	A private caveat has been lodged against the title by Public Bank Berhad via Presentation No. 11047/2012 dated 29 June 2012.
Other Endorsements	:	Part of the land with 756 sqm in area has been leased to Tenaga Nasional Berhad from 30 March 2014 to 29 March 2044 (30 years) via Presentation No. 49445/2014 dated 17 December 2014.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C2.2 Thistle Port Dickson and 6 other parcels of development lands fronting onto Jalan Port Dickson – Pasir Panjang, KM16, Telok Kemang, Port Dickson, Negeri Sembilan, Malaysia  The subject property is located at Jalan Port Dickson – Pasir Panjang KM16, Telok Kemang, Port Dickson.	Thistle Port Dickson is a 6-storey hotel building providing 251 hotel rooms and comprises 6 parcels of development lands with a total site area of 286,360 sqm.  A Certificate of Fitness bearing ref. no. MDPD431/167/92/03 was issued by Majlis Daerah Port Dickson on 29 December 1997.  The land use rights of the subject property is in perpetuity (Freehold).  The total annual rent payable to the government is RM36,322.	Based on records provided, the occupancy rates achieved by the subject property for 2015, 2016 and 2017 were approximately 58%, 68% and 63% respectively. The 3-year average was approximately 63%.	<b>HK\$265,000,000</b> (RM137,000,000 MALAYSIAN RINGGIT ONE HUNDRED THIRTY-SEVEN MILLION)  65.2% interests attributable to the Company: <b>HK\$172,780,000</b>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property (held under Geran 84962/Lot 7251, Geran 84693/Lot 7252, Geran 84694/Lot 7253, Geran 84697/Lot 7257, Geran 199817/Lot 850, Geran Mukim 2578/Lot 1582 and Geran Mukim 1176/Lot 1836, all located within Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan) in its existing condition, with vacant possession or otherwise subject to the existing tenancies and existing management agreement with Thistle and to its titles being free from encumbrances and registrable.
- b) The subject property is located within an area designated for commercial.
- c) The subject property comprises:
- 251 rooms;
  - A vacant commercial land;
  - 9-hole golf course and a driving range (not in use);
  - 3 parcels of beach front lands;
  - 3 restaurants (i.e. Malay kitchen – The Fresh, tea lounge and cafe restaurant – The Glass and Chinese restaurant – The Chinoise);
  - A lobby lounge (The Steps);
  - A beach bar (Cumulus Bar) and a pool bar;
  - Conference and meeting facilities (a banquet hall, a pre function area and various meeting rooms); and
  - Recreational facilities comprising a swimming, children and wading pool, fitness and sports centre, spa, bicycle track, children’s playground, games room and movie room.
- d) The building is constructed of reinforced concrete framework on reinforced concrete floors, with a reinforced concrete flat roof, plastered brickwalls and tempered glass panels.
- e) Overall the interior of the hotel is well-appointed in line with its “5-star” rating and classification. The interior décor are of reasonably high quality furnishing comprising generally selected polished granite and marble slabs, wall-to-wall carpets, ceramic tiles, timber panels/strips and decorative fibrous plasters/mineral fibreboards.

- f) The building is equipped with centralized air conditioning system, fire-fighting services, building security system, emergency power generator sets and is served by a total of 4 lifts.
- g) The decorative and repairing condition of the subject property is good, commensurate with its existing use and age.
- h) An internal inspection was carried out by Ms. Low Siu Kuan (Jane), B. (Hons) Estate Management on 16 August 2018.
- i) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- j) Extracted from copies of search at the Port Dickson District Land Office in Port Dickson and Negeri Sembilan Land Registry in Seremban on 16 August 2018 and 21 August 2018 respectively:

<b>Title No.</b>	<b>Lot No.</b>	<b>Title Land Area (sqm)</b>
GRN 84692	Lot 7251	44,600
GRN 84693	Lot 7252	16,458
GRN 84694	Lot 7253	187,690
GRN 84697	Lot 7257	10,530
GRN 199817	Lot 850	1,509
GM 2578	Lot 1582	9,385
GM 1176	Lot 1836	16,188
Locality	: Lots 1582 & 1836 Batu 10, Segenting	
Mukim	: Lots 7251, 7252, 7253, 7257, 850 & 1582 Pasir Panjang  Lot 1836 Pekan Teluk Kemang	
District	: Port Dickson	
State	: Negeri Sembilan Darul Khusus	
Tenure	: Freehold	
Category of Land Use	: Lots 7251, 7252, 7253 & 7257 Bangunan (Building)  Lots 850, 1582 & 1836 Tiada (Nil)	
Express Conditions	: Lots 7251 & 7252 Tanah ini hendaklah digunakan untuk bangunan perniagaan sahaja (This land is to be used for commercial building only)  Lots 7253 & 7257 Tanah ini hendaklah digunakan untuk padang golf sahaja (This land is to be used for golf course only)  Lots 1582 & 1836 Tiada (Nil)	

Restrictions-In-Interest	:	Not stated
Registered Owner	:	Lots 7251, 7252, 7253 & 7257 PD Resort Sdn. Bhd. (As informed by the Group, PD Resort Sdn. Bhd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest)  Lots 850, 1582 & 1836 Pesuruhanjaya Tanah Persekutuan
Encumbrances	:	Lot 7251 Charged to RHB Bank Berhad vide Presentation No. 18116/2014 dated 26 June 2014.  Lots 7252, 7253, 7257, 850, 1582 & 1836 Nil

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
C2.3 Thistle Johor Bahru, Jalan Sungai Chat, Johor Bahru, Malaysia  The subject property is located within the City Centre of Johor Bahru.	<p>The subject property is a 5-star hotel with 382 hotel rooms known as Thistle Johor Bahru which fronts onto Jalan Sungai Chat, within City Centre of Johor Bahru,</p> <p>Thistle Johor Bahru is a 15-storey Hotel building with a 3 lower/basement levels of car parking (334 bays).</p> <p>A copy of Certificate of Fitness bearing Ref. No. MJB (PB) 68/91 was issued by Majlis Bandaraya Johor Bahru on 25 August 2000.</p> <p>The land use rights of the subject property is a 99-year leasehold interest expiring on 10 October 2087.</p> <p>The annual rent payable to the government is RM128,212.</p>	<p>Based on records provided, the average occupancy rate achieved by the subject property for the period from July 2017 to June 2018 was approximately 53%.</p>	<p><b>HK\$295,900,000</b> (RM153,000,000 MALAYSIAN RINGGIT ONE HUNDRED FIFTY-THREE MILLION)</p> <p>45.7% interests attributable to the Company: <b>HK\$135,226,300</b></p>

*Notes:*

- a) The basis of valuation is the Market Value of the unexpired 69-year leasehold interest in the subject property (held under PN 11153, Lot No. 24807, City and District of Johor Bahru, Johor Darul Takzim) in its existing condition, with vacant possession or otherwise subject to the existing tenancies and existing management agreement with Thistle and to its title being free from encumbrances and registrable.
- b) Based on the Local Plan for the District of Johor Bahru 2020, the subject property is currently zoned for commercial.
- c) The subject property is valued by adopting Direct Capitalization Method of Income Approach and supported by the Direct Comparison Approach. Our Direct Capitalization Method adopts net operating income of the property and capitalized at a comparative market capitalization rate based on similar comparables. Sale comparable under Direct Comparison Approach are quoted from The Government Valuation and Property Services Department's (JPPH) Sale Database.
- d) The subject property comprises:
  - 382 rooms and 334 car parking bays;
  - 3 restaurants and a bar (i.e. Malay kitchen – The Fresh, tea lounge and cafe restaurant – The Glass, pool restaurant-The Oasis and the bar-The Hive);
  - A lobby lounge;
  - Conference and meeting facilities (a banquet hall and a pre function area and 8 meeting rooms located on the lower ground floor and 4 meeting rooms located on the 14th Floor);
  - Recreational facilities comprising an outdoor swimming pool, fitness and sports centre, business centre and 2 tennis courts; and
  - Retail outlets such as florist shop, boutique shop, travel agency and gift shop.

- e) The building is constructed of reinforced concrete framework on reinforced concrete floors, with a reinforced concrete flat roof, plastered brickwalls and tempered glass panels.
- f) Overall the interior of the hotel is in line with its “5-star” rating and classification. The design of the interior décor is of reasonably high quality, and the condition and wear in general is commensurate with its age.
- g) The building is equipped with centralized air conditioning system, fire-fighting services, building security system, emergency power generator sets and is served by a total of 10 lifts.
- h) We note that the decorative and repairing condition of the subject property is good, commensurate with its existing use and age.
- i) An internal inspection was carried out by Mr. Leo Wong, MSc (Real Estate), on 1 August 2018.
- j) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- k) Extracted from a search at the Johor Land Registry in Kota Iskandar, Nusajaya on 21 August 2018:

Title No.:	PN 11153
Lot No.:	24807
City and District:	Johor Bahru
State:	Johor Darul Takzim
Tenure:	99-year leasehold interest, expiring on 10 October 2087
Title Land Area:	2.404 hectares (24,040 sqm)
Category of Land Use:	Bangunan (Building)
Express Conditions:	<p>(i) Tanah ini hendaklah digunakan untuk Bangunan Hotel dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. (This land shall be used for a hotel building built in accordance with the plan approved by the Local Government Authority.)</p> <p>(ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan. (All debris and contamination arising from this activity has to be disposed at a proper disposal site provided by the Authority.)</p> <p>(iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi. (Any terms and conditions which are introduced from time to time by the State Authority has to be adhered to.)</p>

Restrictions-In-Interest:	<p>(i) Tuanpunya tanah tidak dibenarkan menjualkan unit-unit (parcels) bangunan yang akan dibina di atas tanah ini melainkan bangunan telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. (The land owner is not permitted to sell units (parcels) within the building unless the building is built in accordance the plans approved by the Local Authority.)</p> <p>(ii) Hakmilik tanah apabila dipecahkan kepada hakmilikstrata, pecahan hakmilik strata tersebut apabila sahaja bertukar hakmilik kepada seorang Bumiputera/Syarikat Bumiputera maka tidak boleh terkemudian daripada itu dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekalipun kepada orang bukan Bumiputera/Syarikat bukan Bumiputera tanpa persetujuan Pihak Berkuasa Negeri. (The title upon subdivision into strata title will be subject to the following: Once a title is transferred to a Bumiputra (native) or a native company, it cannot be sold, leased, charged or transferred to a non native unless a prior consent from the State of Government Authority is obtained.)</p> <p>(iii) Pecahan Hakmilik strata daripada hakmilik ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada bukan Warganegara/Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri. (The subdivided strata title cannot be sold or transferred to non citizen/foreign company unless a prior consent from the State of Government Authority is obtained.)</p>
Registered Owner:	JB Parade Sdn. Bhd. (As informed by the Group, JB Parade Sdn. Bhd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 45.7% attributable interest.)
Encumbrances:	Charged to Malayan Banking Berhad

## Group C3: Property interests held by the Group for Sale in Malaysia

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C3.1	11 units of stratified retail/office lot within Commerce One (also known as Menara K1), Jalan Klang Lama, Kuala Lumpur, Malaysia	The subject property is located along Lorong 3/137C, off Jalan Klang Lama. It lies approximately 10 km to the south-west of the Kuala Lumpur City Centre.	The subject property is unoccupied.  The subject property is in an average state of repair and decorative condition.	<b>HK\$11,000,000</b> (RM5,700,000 MALAYSIAN RINGGIT FIVE MILLION SEVEN HUNDRED THOUSAND)
	<ul style="list-style-type: none"> <li>• PM 8254/M1-B/1/50</li> <li>• PM 8254/M1-B/9/56</li> <li>• PM 8254/M1-B/13/115</li> <li>• PM 8254/M1-B/15/150</li> <li>• PM 8254/M1-B/15/151</li> <li>• PM 8254/M1-B/18/195</li> <li>• PM 8254/M1-B/18/202</li> <li>• PM 8254/M1-B/19/217</li> <li>• PM 8254/M1-B/20/234</li> <li>• PM 8254/M1-B/21/251</li> <li>• PM 8254/M1-B/21/253</li> </ul>	The subject property comprises 11 stratified retail/office units situated within a block of 21-storey office tower with 7 levels of elevated car parks.		44.4% interests attributable to the Company: <b>HK\$4,884,000</b>
	all on Lot 45788, Mukim of Petaling, Wilayah Persekutuan Kuala Lumpur, Malaysia	The subject development was completed in 2013 and issued with Certificate of Completion and Compliance (CCC).  The land use rights of the parent lot is a 99-year leasehold interest expiring on 8 November 2106.		

*Notes:*

- a) The basis of valuation is the Market Value of the unexpired 88-year leasehold interest in the subject property in its existing condition, with benefit of vacant possession and good registrable strata titles issued free from encumbrances and registrable.
- b) Our verbal enquiry with Town Planning Department of Kuala Lumpur City Council confirmed that the subject property is zoned for commercial.
- c) An internal inspection was carried out by Ms. Nur Qayyum Binti Muahamad Sanuri, B.Sc. (Hons) Land Administration and Development on 14 August 2018.
- d) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.



## e) Legal Details

Brief particulars extracted from the registered documents of titles provided by the Group are as follows:-

No.	Unit No.	Strata Title No.	Allocated Car Park	Strata Floor Area (sqm)	Unit Share
1.	Unit G-05	PM 8254/M1-B/1/50	2	107	131/34,146
2.	Unit 8-07	PM 8254/M1-B/9/56	2	104	132/34,146
3.	Unit 12-10	PM 8254/M1-B/13/115	2	77	101/34,146
4.	Unit 13A-12	PM 8254/M1-B/15/150	1	45	57/34,146
5.	Unit 13A-13A	PM 8254/M1-B/15/151	1	45	57/34,146
6.	Unit 17-02	PM 8254/M1-B/18/195	3	78	114/34,146
7.	Unit 17-13A	PM 8254/M1-B/18/202	1	45	57/34,146
8.	Unit 18-10	PM 8254/M1-B/19/217	2	77	101/34,146
9.	Unit 19-10	PM 8254/M1-B/20/234	2	73	97/34,146
10.	Unit 20-10	PM 8254/M1-B/21/251	2	77	101/34,146
11.	Unit 20-13A	PM 8254/M1-B/21/253	1	45	57/34,146
Total			19	773	

The following details are common to the above titles:

Bandar/Pekan/Mukim	:	Mukim Petaling
District	:	'Tiada'
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Leasehold for a period of 99 years expiring on 8 November, 2106 (i.e. an unexpired term of approx. 88 years remaining)
Category of Land Use	:	'Bangunan' (Building)
Express Conditions	:	'Tertakluk kepada sekatan dan syarat dalam Hakmilik Pajakan Mukim 8254' (Subject to the restrictions and conditions in Pajakan Mukim 8254)
Restrictions-In-Interest	:	'Tertakluk kepada sekatan dan syarat dalam Hakmilik Pajakan Mukim 8254' (Subject to the restrictions and conditions in Pajakan Mukim 8254)
Registered Owner	:	Bedford Industrial Development Sdn Bhd - Full share (Company No. 56765-T) (As informed by the Group, Bedford Industrial Development Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	NIL

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C3.2 56 unsold serviced apartment units within West Tower and East Tower of The Oval, located along Lorong Kuda, Kuala Lumpur, Malaysia  The subject property is located within the Golden Triangle Area and it is easily accessible from various parts of Kuala Lumpur City Center via major roads namely Jalan Binjai and Jalan Stonor, both of which are connected directly to Lorong Kuda.	The subject property comprises 56 unsold serviced apartments situated within 2 Blocks of 41-storey towers.  The total floor area of the 56 unsold units as per the strata survey plans is 20,240 sqm (approx. 217,861 sqft).  East Tower was completed in 2010 whilst West Tower was completed in 2011.  The land use rights of the site is in perpetuity (freehold).  Individual strata tiles in respect of the subject property have been issued.	Out of the 56 units, 18 units are tenanted, 2 units are being used as Raikon Management storage area and the remaining units are currently unoccupied.  The state of decorative repair of the subject property is average.	<b>HK\$398,400,000</b> (RM206,000,000 MALAYSIAN RINGGIT TWO HUNDRED AND SIX MILLION)  44.4% interests attributable to the Company: <b>HK\$176,889,600</b>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under separate strata titles in their existing condition with benefit of vacant possession and strata titles issued free from encumbrances and registrable.
- b) Our verbal enquiries with Town Planning Department of Kuala Lumpur City Council confirms that the subject property is zoned for commercial.
- c) Site and Services
- Street frontage : The subject property is sited along Lorong Kuda.
- Services : Main water, electricity supply and telecommunication facilities are connected to the subject property.
- Building Management and maintenance of The Oval East Tower are undertaken by Henry Butcher Malaysia Sdn Bhd and The Oval West Tower is managed by Raikon Building Management Co Sdn Bhd. A monthly service charge and sinking fund of RM0.55 per sqft is levied against the subject property for services provided.
- Public transportation in the form of buses and taxis is easily available in the vicinity.
- Facilities : Swimming pool, children pool, sundeck loungers, sauna room, steam room, children's playground, function area, gymnasium, landscape garden and 24 hours' security.
- d) The subject property is constructed of reinforced concrete framework, reinforced concrete floors and a concrete flat roof.
- e) The ceilings and floor finishes of the respective units within the subject property are generally of plaster ceiling/skim coat and marble/ceramic tiles/ timber strips respectively.

- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- g) An internal inspection was carried out by Mr. Lee Poh Boon (Thomas), B.Sc. (Hons) Real Estate Management & Development on 17 August 2018.
- h) Legal Details

The subject properties are owned by three registered owners i.e. Oval Suites Sdn Bhd, GLM Oval Sdn Bhd and Titan Debut Sdn Bhd.

Brief particulars extracted from the registered documents of titles provided by the Group are as follows:

(i) **Oval Suites Sdn Bhd**

No.	Unit No.	Strata Title No.	Lot No.	Strata Floor Area ( <i>sqm</i> )	Unit Share
1.	W-09-01	Geran 71995/M1/10/15	Lot 388, Seksyen 63	362	386
2.	W-12-01	Geran 71995/M1/13/21	Lot 388, Seksyen 63	362	386
3.	W-13-01	Geran 71995/M1/14/23	Lot 388, Seksyen 63	362	386
4.	W-13-02	Geran 71995/M1/14/24	Lot 388, Seksyen 63	362	386
5.	E-12-01	Geran 53088/M1/13/21	Lot 388, Seksyen 63	362	386

The following details are common to the above titles:

Bandar/Pekan/Mukim	:	Bandar Kuala Lumpur
District	:	'Tiada' (Nil)
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Freehold
Express Conditions	:	'Tertakluk kepada sekatan dan syarat dalam Hakmilik Geran 71995' (Subject to the restrictions and conditions in Geran 71995)
Restrictions-In-Interest	:	'Tertakluk kepada sekatan dan syarat dalam Hakmilik Geran 71995' (Subject to the restrictions and conditions in Geran 71995)
Registered Owner	:	Oval Suites Sdn Bhd (Company No. 689810-V) (As informed by the Group, Oval Suites Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Not Stated

## (ii) GLM Oval Sdn Bhd

No.	Unit No.	Strata Title No.	Lot No.	Strata Floor Area ( <i>sqm</i> )	Unit Share
1.	E-02-01	Geran 53088/M1/03/01	Lot 327, Seksyen 63	362	386
2.	E-02-02	Geran 53088/M1/03/02	Lot 327, Seksyen 63	362	386
3.	E-03-02	Geran 53088/M1/04/04	Lot 327, Seksyen 63	362	386
4.	E-3A-02	Geran 53088/M1/05/06	Lot 327, Seksyen 63	362	386
5.	E-06-02	Geran 53088/M1/07/10	Lot 327, Seksyen 63	362	386
6.	E-07-02	Geran 53088/M1/08/12	Lot 327, Seksyen 63	362	386
7.	E-09-02	Geran 53088/M1/10/16	Lot 327, Seksyen 63	362	386
8.	E-10-02	Geran 53088/M1/11/18	Lot 327, Seksyen 63	362	386
9.	E-13-01	Geran 53088/M1/14/23	Lot 327, Seksyen 63	362	386
10.	E-13-02	Geran 53088/M1/14/24	Lot 327, Seksyen 63	362	386
11.	E-14-01	Geran 53088/M1/15/25	Lot 327, Seksyen 63	362	386
12.	E-14-02	Geran 53088/M1/15/26	Lot 327, Seksyen 63	362	386
13.	E-15-01	Geran 53088/M1/16/27	Lot 327, Seksyen 63	362	386
14.	E-15-02	Geran 53088/M1/16/28	Lot 327, Seksyen 63	362	386
15.	E-16-01	Geran 53088/M1/17/29	Lot 327, Seksyen 63	362	386
16.	E-16-02	Geran 53088/M1/17/30	Lot 327, Seksyen 63	362	386
17.	E-17-01	Geran 53088/M1/18/31	Lot 327, Seksyen 63	362	386
18.	E-17-02	Geran 53088/M1/18/32	Lot 327, Seksyen 63	362	386
19.	E-18-02	Geran 53088/M1/19/34	Lot 327, Seksyen 63	362	386
20.	E-19-02	Geran 53088/M1/20/36	Lot 327, Seksyen 63	362	386
21.	E-20-02	Geran 53088/M1/21/38	Lot 327, Seksyen 63	362	386
22.	E-22-02	Geran 53088/M1/23/42	Lot 327, Seksyen 63	362	386
23.	E-23-02	Geran 53088/M1/24/44	Lot 327, Seksyen 63	362	386
24.	E-24-02	Geran 53088/M1/25/46	Lot 327, Seksyen 63	362	386
25.	E-25-02	Geran 53088/M1/26/48	Lot 327, Seksyen 63	346	370
26.	E-26-02	Geran 53088/M1/27/50	Lot 327, Seksyen 63	362	386

The following details are common to the above titles:

Bandar/Pekan/Mukim	:	Bandar Kuala Lumpur
District	:	Kuala Lumpur
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Freehold
Express Conditions	:	Tanah ini hendaklah digunakan untuk bangunan perdagangan bertingkat bagi tujuan pangsapuri servis sahaja. (This land is to be used as a commercial building for serviced apartment only.)
Restrictions-In-Interest	:	Tiada (Nil)
Registered Owner	:	GLM Oval Sdn Bhd (Company No. 189140-T) (As informed by the Group, GLM Oval Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Charged to Affin Bank Berhad (Company No. 25046-T).

## (iii) Titan Debut Sdn Bhd

No.	Unit No.	Strata Title No.	Lot No.	Strata Floor Area ( <i>sqm</i> )	Unit Share
1.	W-02-01	Geran 71995/M1/3/1	Lot 388, Seksyen 63	362	386
2.	W-02-02	Geran 71995/M1/3/2	Lot 388, Seksyen 63	362	386
3.	W-03-01	Geran 71995/M1/4/3	Lot 388, Seksyen 63	362	386
4.	W-04-01	Geran 71995/M1/5/5	Lot 388, Seksyen 63	362	386
5.	W-04-02	Geran 71995/M1/5/6	Lot 388, Seksyen 63	362	386
6.	W-05-01	Geran 71995/M1/6/7	Lot 388, Seksyen 63	362	386
7.	W-05-02	Geran 71995/M1/6/8	Lot 388, Seksyen 63	362	386
8.	W-06-01	Geran 71995/M1/7/9	Lot 388, Seksyen 63	362	386
9.	W-06-02	Geran 71995/M1/7/10	Lot 388, Seksyen 63	362	386
10.	W-07-01	Geran 71995/M1/8/11	Lot 388, Seksyen 63	362	386
11.	W-07-02	Geran 71995/M1/8/12	Lot 388, Seksyen 63	362	386
12.	W-09-02	Geran 71995/M1/10/16	Lot 388, Seksyen 63	362	386
13.	W-10-02	Geran 71995/M1/11/18	Lot 388, Seksyen 63	362	386
14.	W-11-01	Geran 71995/M1/12/19	Lot 388, Seksyen 63	362	386
15.	W-14-01	Geran 71995/M1/15/25	Lot 388, Seksyen 63	362	386
16.	W-14-02	Geran 71995/M1/15/26	Lot 388, Seksyen 63	362	386
17.	W-15-01	Geran 71995/M1/16/27	Lot 388, Seksyen 63	362	386
18.	W-25-02	Geran 71995/M1/26/48	Lot 388, Seksyen 63	346	370
19.	E-05-02	Geran 53088/M1/06/08	Lot 327, Seksyen 63	362	386
20.	E-08-02	Geran 53088/M1/09/14	Lot 327, Seksyen 63	362	386
21.	E-11-01	Geran 53088/M1/12/19	Lot 327, Seksyen 63	362	386
22.	E-11-02	Geran 53088/M1/12/20	Lot 327, Seksyen 63	362	386
23.	E-12-02	Geran 53088/M1/13/22	Lot 327, Seksyen 63	362	386
24.	E-18-01	Geran 53088/M1/19/33	Lot 327, Seksyen 63	362	386
25.	E-21-02	Geran 53088/M1/22/40	Lot 327, Seksyen 63	362	386

The following details are common to the above titles:

Bandar/Pekan/Mukim	:	Bandar Kuala Lumpur
District	:	Kuala Lumpur
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Freehold
Express Conditions	:	Tanah ini hendaklah digunakan untuk bangunan perdagangan bertingkat bagi tujuan pangsapuri servis sahaja. (This land is to be used as a commercial building for serviced apartment only.)
Restrictions-In-Interest	:	Tiada (Nil)
Registered Owner	:	Titan Debut Sdn Bhd (Company No. 726828-M) (As informed by the Group, Titan Debut Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Charged to Alliance Bank Malaysia Berhad (Company No. 88103-W)

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018	
C3.3	<p>9 units of unsold 2-storey bungalow houses identified as Nos. 3, 5, 12, 13A, 16, 19, 20, 21 &amp; 32, Jalan Anjung Residensi (also known as Amandarii),</p> <ul style="list-style-type: none"> <li>• HSM 25000-25001, PT 66083-66084</li> <li>• HSM 25011, PT 66094</li> <li>• HSM 25025-25027, PT 66108-66110</li> <li>• HSM 25033-25035, PT 66116-66118</li> </ul> <p>all within Seksyen 9, Bandar Kajang, District of Hulu Langat, Selangor Darul Ehsan, Malaysia</p>	<p>The subject property comprises 9 units of 2-storey bungalow houses with a total title land area of approximately 5,822 sqm and total build-up area of approximately 4,214.36 sqm.</p> <p>The subject development i.e. Anjung Residensi (also known as "Amandarii") is a residential development comprising 36 units of 2-storey bungalow houses.</p> <p>The subject development was completed in 2013 and issued with Certificate of Completion and Compliance (CCC).</p> <p>The land use rights of the sites are in perpetuity (Freehold).</p> <p>The annual land rent payable to the government is RM626.</p>	<p>The subject property is currently unoccupied. The occupancy rate of all houses within the subject development is about 50%.</p> <p>The subject property is in an average state of repair and decorative condition.</p>	<p><b>HK\$42,200,000</b> (RM21,800,000 MALAYSIAN RINGGIT TWENTY-ONE MILLION EIGHT HUNDRED THOUSAND)</p> <p>44.4% interests attributable to the Company: <b>HK\$18,736,800</b></p>

**Notes:**

- a) Postal addresses of the property are as follows:
- Lot PT 66083 No. 3, Jalan Anjung Residensi 1/2, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66084 No. 5, Jalan Anjung Residensi 1/2, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66108 No. 12, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66109 No. 13A, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66110 No. 16, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66118 No. 19, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66117 No. 20, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66116 No. 21, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
  - Lot PT 66094 No. 32, Jalan Anjung Residensi 1/3, Anjung Residensi, 43000 Bandar Kajang, Selangor
- b) The basis of valuation is the Market Value of the freehold interest in the properties held under the individual titles mentioned above within Bandar Kajang, District of Hulu Langat, State of Selangor in their respective existing condition with vacant possession and good registrable titles free from encumbrances and registrable.
- c) The subject property is located within an area zoned for residential.
- d) The subject property is presently provided with basic infrastructures and public services including water, electricity, telephone lines, service roads, drainage and sewerage and other supporting amenities. Local services are provided by Kajang Municipal Council.
- e) The buildings are constructed of reinforced concrete frames structure, plastered brick infill walls, pitched roof covered with metal roofing sheets/ concrete flat roof and reinforced concrete floors. The internal partition walls are of plastered brickworks.
- f) The interior finishing are generally ceramic tiles, porcelain tiles, laminated timber flooring, painted plaster ceiling. Doors and windows are generally timber doors, aluminium casement sliding/ folding with glass panel doors and top hung/ aluminium casement with glass panels windows.

- g) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- h) An internal inspection was carried out by Ms. Nur Qayyum Binti Muahamad Sanuri, B.Sc. (Hons) Land Administration and Development on 10 August 2018.
- i) Legal Details

Brief particulars extracted from the registered documents of titles provided by the Group are as follows:

<b>Title No.</b>	<b>Lot No.</b>	<b>Land Area</b> <i>(sqm)</i>	<b>Annual Rent</b>
HSM 25000	PT 66083	589	RM63.00
HSM 25001	PT 66084	599	RM64.00
HSM 25011	PT 66094	530	RM57.00
HSM 25025	PT 66108	604	RM65.00
HSM 25026	PT 66109	638	RM69.00
HSM 25027	PT 66110	828	RM89.00
HSM 25035	PT 66118	601	RM65.00
HSM 25034	PT 66117	601	RM65.00
HSM 25033	PT 66116	832	RM89.00
	<b>Total</b>	<b>5,822</b>	<b>RM626.00</b>

The following details are common to all the titles:

Bandar/Pekan/Mukim	:	Bandar Kajang
Locality	:	Sungai Kantan
District	:	Hulu Langat
State	:	Selangor
Tenure	:	Freehold
Category of Land Use	:	'Bangunan' (Building)
Express Conditions	:	'Bangunan Kediaman' (Residential Building)
Restrictions-In-Interest	:	N/A
Registered Owner	:	Ace Acres Sdn Bhd - Full share (Company No. 708782-M) (As informed by the Group, Ace Acres Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Charged to Malayan Banking Berhad vide Presentation No. 7613/2007 dated 13 August 2007

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
<p>C3.4 Commercial portions of PJ City Corporate Hub, Section 51A, Petaling Jaya, Selangor Darul Ehsan, Malaysia held under Master Title PN 91908, Lot 13507 Seksyen 32, Bandar Petaling Jaya, District of Petaling, Selangor Darul Ehsan, Malaysia</p> <p>The subject property is located within Section 51A, Petaling Jaya which lies off the north-western side of the Federal Highway at approximately 2 km south-west of the City Centre of Petaling Jaya.</p>	<p>The subject property comprises:</p> <p>i) Block C is a completed 6-storey office building;</p> <p>ii) Block E &amp; F are 2 blocks of under construction 6-storey office buildings; and</p> <p>iii) 40 surface level car parking bays which are found at the entrance lobby of Blocks A &amp; B (existing office towers).</p> <p>Only Block C has been issued with Certificate of Completion and Compliance (CCC) bearing ref. no. LAM/S/No. 0735 by Majlis Bandaraya Petaling Jaya dated 18 April 2017.</p> <p>The land use rights of the site is a 99-years leasehold interest expiring on 12 December 2107.</p> <p>The annual land rent (Master Title) payable to the government is RM99,066.</p>	<p>As at the Date of Valuation, Blocks C, E &amp; F remained unsold.</p> <p>Blocks E &amp; F were under construction. It is expected to be completed by end of year 2019.</p> <p>The 40 surface level car parking bays is currently tenanted to Hong Leong Assurance Berhad with a monthly rental of RM1,500.</p>	<p><b>HK\$330,700,000</b> (RM171,000,000 MALAYSIAN RINGGIT ONE HUNDRED SEVENTY-ONE MILLION)</p> <p>44.4% interests attributable to the Company: <b>HK\$146,830,800</b></p>

**Notes:**

- a) The basis of valuation is the Market Value of the unexpired 89-year leasehold interest of the subject property (held under Master Title PN 91908, Lot 13507 Seksyen 32, Bandar Petaling Jaya, District of Petaling, Selangor Darul Ehsan) in its existing condition, subject to the bases/assumptions as stated in Note (c) below and its strata titles being free from encumbrances and registrable.
- b) The subject property is located within an area designated for commercial.
- c) The subject property is a newly completed property and the issuance of individual strata titles are still in progress. The absence of individual strata titles does not affect the Group's title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
- (i) The subject property will be issued with individual strata titles;
- (ii) The title(s) to be issued for the subject property shall convey a 99-year leasehold interest expiring 12 December 2107; and
- (iii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable.
- d) We have further assumed Blocks E & F are approximately 90% completed as at the Date of Valuation. In addition, the total gross floor area at 235,014 sqft is assumed to be correct.
- e) A site inspection was carried out by Ms. Low Siu Kuan (Jane), B. (Hons) Estate Management on 14 August 2018.



f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.

g) Legal Details (Master Title)

As extracted from a private search printed on 24 August 2018:

Title No.	:	PN 91908
Lot No.	:	Lot 13507 Seksyen 32
Bandar/Pekan/Mukim	:	Bandar Petaling Jaya
District	:	Petaling
State	:	Selangor Darul Ehsan
Tenure	:	Leasehold for a period of 99 years expiring on 12 December, 2107 (i.e. an unexpired term of approx. 89 years remaining)
Land Area	:	32,060 sqm
Annual Rent	:	RM99,066
Category of Land Use	:	'Bangunan' (Building)
Express Conditions	:	'Bangunan Perniagaan' (Commercial Building)
Restrictions-In-Interest	:	'Tanah ini boleh dipindahmilik, dipajak atau digadai setelah mendapat kebenaran Pihak Berkuasa Negeri' (This land can be transferred, leased or charged after securing consent from the State Authority)
Registered Owner	:	PJ Corporate Park Sdn Bhd - Full share (Company No. 12213-P) (As informed by the Group, PJ Corporate Park Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Charged to Affin Bank Berhad vide Presentation No. 78801/2012 dated 27 July 2012

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C3.5	382 units of unsold low-cost flats, Phases 6A and 6B, Bukit Rahman Putra, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan, Malaysia	The subject property comprises 382 units of unsold low-cost flats with a total floor area of approximately 24,842 sqm (approximately 267,400 sqft, i.e. 700 sqft per unit) completed in about 2010.	The subject property was vacant.  Externally the state of decorative repair of the subject property is fair.	<b>HK\$30,900,000</b> (RM16,000,000 MALAYSIAN RINGGIT SIXTEEN MILLION)
	(Master Title) HS(D) 87438 and PT 48965 in Mukim of Rawang, District of Gombak, Selangor Darul Ehsan.	The subject property comprises total 560 units of low-cost flats situated within 28 blocks of 5-storey walk-up flats.		44.4% interests attributable to the Company: <b>HK\$13,719,600</b>
	It lies approximately 25 km due north-west of the Kuala Lumpur City Centre.	The land use rights of the site are in perpetuity (Freehold).  Individual strata titles in respect of the subject property have yet to be issued.		

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property (held under master title HS(D) 87438, PT 48965 in Mukim of Rawang, District of Gombak, Selangor Darul Ehsan) in their respective existing condition, with vacant possession and subject to the master title assumptions being free from encumbrances and registrable.
- b) The subject property is located within an area zoned for residential.
- c) Our verbal enquiries at the Housing Division of the State Secretary of Selangor revealed that the ceiling sale price of a low cost flat is fixed at a maximum of RM42,000 per unit.
- d) Site and Services
 

Street frontage	:	The subject property is sited off the eastern side of North-South Highway.
Services	:	Main water, electricity supply and telephone lines are connected to the subject property. These facilities are presumably envisaged to meet the current and future demand of the existing developments here. Public transportation in the form of buses and taxis is easily available in the vicinity.
- e) The subject property is constructed of reinforced concrete framework infilled with plastered brickwalls on reinforced concrete floors and timber pitched roof covered with metal deck roofing.
- f) The ceilings and floor finishes of the respective units within the subject property are generally of cement plaster and cement render/ceramic tiles respectively.
- g) The subject property is a newly completed property and the issuance of individual strata titles are still in progress. The absence of individual strata titles does not affect the Group's title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
  - (i) The total saleable area of the subject property at 24,842 sqm is correct;
  - (ii) The strata title(s) to be issued for the subject property shall convert a freehold tenure;
  - (iii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable; and

- (iv) The subject property is issued with Certificate of Completion and Compliance (CCC) or Certificate of Fitness for Occupation (CFO).
- h) External inspections was carried out by Ms. Nur Amira Bashirah Bte Shafiee, B.(Hons) Estate Management on 23 August 2018.
- i) The subject property is essentially valued by adopting the ceiling sale price which is fixed by the State Secretary of Selangor i.e. RM42,000 per unit.
- j) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- k) Legal Details

Brief particulars extracted from the registered documents of title provided by the Group are as follows:

Title No.	:	HS(D) 87438
Lot No.	:	PT 48965
Bandar/Pekan/Mukim	:	Mukim Rawang
District	:	Gombak
State	:	Selangor Darul Ehsan
Tenure	:	Freehold
Category of Land Use	:	'Bangunan' (Building)
Express Condition	:	'Rumah Kos Rendah' (Low-cost house)
Restrictions-In-Interest	:	'Tanah ini tidak boleh dipindahmilik, dipajak atau digadai melainkan setelah mendapat kebenaran Pihak Berkuasa Negeri.' (This land cannot be transferred, leased or charged without securing consent from State Authority.)
Registered Owner	:	Harta Kemunchak Sdn Bhd (As informed by the Group, the subject property is held on trust by Harta Kemunchak Sdn Bhd for Sabna Development Sdn Bhd. Sabna Development Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and which the Company has a 44.4% attributable interest.)
Encumbrances	:	Nil

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
C3.6	15 units of unsold zero-lot bungalow (Phase 2D1) and 106 units vacant detached house plots (Phase 2D2), Municipality of Rawang, District of Gombak, State of Selangor, Malaysia	In Phase 2D1, there are 15 units of zero-lot bungalow with a total land area of approximately 7,112.29 sqm.  Phase 2D2 consists of 106 vacant detached house plots with a total land area of approximately 55,378.4 sqm.	<b>HK\$153,800,000</b> (RM79,500,000 MALAYSIAN RINGGIT SEVENTY-NINE MILLION FIVE) HUNDRED THOUSAND)
	The subject property is located within the suburb of Rawang where it can be easily accessed by the Rawang-Batang Berjantai main roads within Emerald West and Taman Velox.	Phase 2D1 was completed in 2016 and issued with Certificate of Completion and Compliance (CCC), whilst Phase 2D2 is vacant plot.  Emerald West, (which Phases 2D1 and 2D2 form part of) is a fairly large scale ongoing mixed residential development project within the western suburb of the Township of Rawang at approximately 30 km north of Kuala Lumpur, the Capital City of Malaysia.  The land use rights of the subject property is in perpetuity (Freehold).	22.2% interests attributable to the Company: <b>HK\$34,143,600</b>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under parts of the parent title Lot 25052, Mukim of Rawang, District of Gombak, State of Selangor in their respective existing condition with benefit of the completed main infrastructural works within Emerald West with vacant possession and subject to the parent titles and title being free from encumbrances and registrable.
- b) The current planning or zoning is residential in accordance with the approved site layout plan of Emerald West.
- c) The subject property is presently provided with basic infrastructures and public services including water, electricity, telephone lines, service roads, drainage and sewerage and other supporting amenities.
- d) As informed by the Group the registered owner of the subject property is Hong Bee Realty Sdn Bhd, the subject property is held on trust by Hong Bee Realty Sdn Bhd for GLM Emerald West (Rawang) Sdn Bhd, which is a joint venture between GuocoLand (Malaysia) Berhad (which, as informed by the Group, is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest) and Hong Bee Land Sdn Bhd; GLM Emerald West (Rawang) Sdn Bhd is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 22.2% attributable interest.
- e) The subject property is a newly completed property and the issuance of individual strata titles are still in progress. The absence of individual strata titles does not affect the Group's title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
  - (i) The total provisional land areas of zero-lot bungalows at 7,112.29 sqm and 55,378.4 sqm for the vacant detached house plots are correct;
  - (ii) The subject property will be issued with various strata / individual titles upon completion of its construction;
  - (iii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable; and
  - (iv) The subject property is issued with Certificate of Completion and Compliance (CCC) or Certificate of Fitness for Occupation (CFO).
- f) A site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.
- g) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C3.7	17 units of unsold 2-storey terrace house (Phase 3A), Mukim and District of Sepang, State of Selangor, Malaysia	The property comprises 17 units of unsold 2-storey house with a total title area and built up area of approximately 3,349.70 sqm and 3,654.34 sqm respectively completed in about 2017.	The subject property is vacant.  Externally, the state of decorative repair of the subject property is average.	<b>HK\$16,600,000</b> (RM8,600,000 MALAYSIAN RINGGIT EIGHT MILLION SIX HUNDRED THOUSAND)
	HSD 24457/Lot PT 8146, HSD 24507/Lot PT 8196, HSD 24525/Lot PT 8214, HSD 24545/Lot PT 8234, HSD 24693/Lot PT 8382, HSD 24696/Lot PT 8385, HSD 24699/Lot PT 8388, HSD 24704/Lot PT 8393, HSD 24689/Lot PT 8378, HSD 24690/Lot PT 8379, HSD 24692/Lot PT 24692, HSD 24695/Lot PT 8384, HSD 24697/Lot PT 8386, HSD 24701/Lot PT 8390, HSD 24702/Lot PT 8391, HSD 24703/Lot PT 8392, HSD 24711/Lot PT 8400,	Southern portion of the Pantai Sepang Putra, (which Phase 3A forms part of) is a fairly large scale ongoing mixed residential development project within Bagan Lalang, Sepang at approximately 70 km south of Kuala Lumpur, the Capital City of Malaysia.  The land use rights of the subject property is in perpetuity (Freehold).  The annual rent payable to the Government is RM46.00 each.		21.0% interests attributable to the Company: <b>HK\$3,486,000</b>
	All within Mukim and District of Sepang, Selangor.			
	The subject property is located adjacent to south and south-west of Sg Pelek township where it can be easily accessed from the Sg Pelek- Tg Sepat main road and also the service roads within Pantai Sepang Putra.			

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under parts of the parent title Lot 25052, Mukim of Rawang, District of Gombak, State of Selangor in their respective existing condition with benefit of the completed main infrastructural works within Emerald West with vacant possession and subject to the parent titles and title being free from encumbrances and registrable.
- b) The subject property is zoned for residential.

- c) Selective main infrastructural works inclusive of roads, drainage, water reticulation, sewerage, landscaping, mechanical and electrical installations and other minor works have already been completed to provide services to the completed, ongoing and future phases within Southern Portion of Pantai Sepang Putra. These are common-sharing as well as local infrastructures works.
- d) A site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- f) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:

No	Title No.	Lot No.	Land Area ( <i>sqm</i> )
1.	HSD 24457	PT 8146	313.70
2.	HSD 24507	PT 8196	287.70
3.	HSD 24525	PT 8214	168
4.	HSD 24545	PT 8234	287.7
5.	HSD 24693	PT 8382	143.1
6.	HSD 24696	PT 8385	208.1
7.	HSD 24699	PT 8388	143.1
8.	HSD 24704	PT 8393	380.4
9.	HSD 24689	PT 8378	143.1
10.	HSD 24690	PT 8379	143.1
11.	HSD 24692	PT 8381	143.1
12.	HSD 24695	PT 8384	208.1
13.	HSD 24697	PT 8386	143.1
14.	HSD 24701	PT 8390	143.1
15.	HSD 24702	PT 8391	143.1
16.	HSD 24703	PT 8392	143.1
17.	HSD 24711	PT 8400	208.1

The following particulars are common to the above titles:

Mukim	:	Selangor
District	:	Selangor
State	:	Selangor Darul Ehsan
Tenure	:	Freehold
Category of land use	:	Bangunan (Building)
Express Condition	:	Bangunan Kediaman (Residential Building)
Registered Owner	:	The East Asiatic Company (M) Bhd (As informed by the Group, The East Asiatic Company (M) Bhd is now renamed as Hap Seng Consolidated Berhad. The subject property is held on trust by Hap Seng Consolidated Berhad for GLM Emerald (Sepang) Sdn Bhd, which is an associated company indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 21.0% attributable interest.)

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C3.8 Unit No. 4, Jalan Bayan 34, and Unit No. 28, Jalan Bayan 65, 2-storey low cost terrace houses at Lots 31623 & 31999, Mukim of Plentong, District of Johor Bahru, State of Johor, Malaysia	<p>The subject property is two low-cost housing units, with land area 68 sqm each (total 136 sqm) completed in about 1980s.</p> <p>The land use rights of the site are freehold interest.</p> <p>The total annual land rent payable to the government is RM36.00.</p>	As informed, the property was vacant.	<p><b>HK\$1,400,000</b> (RM700,000 – MALAYSIAN RINGGIT SEVEN HUNDRED THOUSAND)</p> <p>44.4% interests attributable to the Company: <b>HK\$621,600</b></p>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property in its existing condition and subject to the basis as stated in Note (b) below and its titles being free from encumbrances and registrable.
- b) The two subject low-cost housing units are over 30 years in age. According to the Group, the relevant Approved Building Plans are missing. The Group informed that the buildings were erected in accordance to all applicable laws at the time, and we assessed the property based on the title documents as detailed in Note (g).
- c) The subject property is located within an area zoned for building ('Bangunan').
- d) External inspection to the subject property were carried out by Mr. Tan Jun Yong in September 2018.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- f) The land may not be transferred or leased in any manner without the authority of the State Authority (Pihak Berkuasa Negeri). The landlord is only allowed to mortgage the land once to the Government of Malaysia or the Statutory Bodies (Badan Berkanun) or any Registered Bank in Malaysia or a registered Finance Company in Malaysia. The landlord in the case of placing or pledging the land for the second and subsequent times shall first obtain the permission of the State Authority.

## g) Legal Details

Brief particulars extracted from the registered documents of titles provided by the Group are as follows:-

Title Nos.	:	281630 & 284165
Lot Nos.	:	Lot 31623 & Lot 31999
Locality	:	Jalan Bayan
Bandar/Pekan/Mukim	:	Mukim Plentong
District	:	Johor Bahru
State	:	Johor
Tenure	:	Freehold
Title Land Area	:	136 sqm
Annual Rent	:	RM36.00
Category of Land Use	:	'Bangunan' (Building)
Express Condition	:	'Tanah ini hendaklah digunakan untuk sebuah Rumah Kediaman Jenis Kekal, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.' (This land shall be used for a Permanent Residential House, constructed in accordance with the plan approved by the relevant Local Authority only.)
Restrictions-In-Interest	:	'Tuan tanah selepas Nama Pemaju.tidak boleh menjual/memajak ataupun memindahmilik tanah ini dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/menjual tanah ini tanpa kebenaran Pihak Berkuasa Negeri.' (This owner shall not sell / lease or transfer the land in any manner whatsoever, including by way of the use of all agreements which are intended to release / sell the land without the permission of the State Authority.)
Registered Owner	:	PJ Corporate Park Sdn. Bhd., Full share. (As informed by the Group, PJ Corporate Park Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Nil



## Group C4: Property interests held by the Group Under Development in Malaysia

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C4.1	Emerald Hill, 10 parcels of 'Residential' development land in Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia	The subject site comprises 10 parcels of residential development land with a total site area of approximately 191,576.71 sqm.	Construction works are currently in early stage and full completion is expected in 2021/2022.	<b>HK\$508,700,000</b> (RM263,000,000 MALAYSIAN RINGGIT TWO HUNDRED SIXTY-THREE MILLION)
	The subject property is located at approximately 15 km south east of the City Centre of Kuala Lumpur.	The subject property is known as Emerald Hill, a residential development comprising 4 condominium blocks, 2-storey terrace houses and 3-storey terrace houses.	Sold portions of the subject property comprise 235 units with a total saleable area of approximately 21,191 sqm (228,101 sqft) and have been contracted to be sold at a total consideration of RM149,439,271.	44.4% interests attributable to the Company: <b>HK\$225,862,800</b>
		The land use rights of the site is in perpetuity (Freehold).		
		The total annual land rent payable to the government is RM71,008.		

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property.
- b) The subject property is zoned for residential.
- c) The subject property has been approved vide the latest development Order bearing Reference No.(58)d/m.DBKL.JPRB. 4680/78/3 Jld 1 (OSC (B) A13 S2 170907-006 (P2)) dated 5 October 2017, issued by Dewan Bandaraya Kuala Lumpur (DBKL). The subject development comprises:-
- |          |   |  |
|----------|---|--|
| Phase 1A | : | 58 units of 2-storey terrace house<br>19 units of 3-storey terrace house                         |
| Phase 1B | : | 1 unit clubhouse (completed)   |
| Phase 2  | : | 60 units of 2-storey terrace house<br>44 units of 3-storey terrace house                         |
| Phase 3A | : | 30-storey Block A consists of 296 units apartment building with a 7-storey car park              |
| Phase 3B | : | 30-storey Block B consists of 296 units apartment building                                       |
| Phase 4A | : | 37-storey Block C consists of 393 units apartment building with a 5-storey car park and basement |
| Phase 4B | : | 37-storey Block D consists of 393 units apartment building                                       |
- d) The sold portions of the subject property comprise 235 apartment units in Blocks A and B. A total saleable area of approximately 21,191 sqm (228,101 sqft) had been contracted to be sold at RM149,439,271. In arriving at our opinion on the capital value of the subject property, we have taken into account the above.
- e) As provided by the Group, the total estimated construction cost is RM532.6 million and the construction cost incurred up to 31 July 2018 was in the sum of approximately RM220.8 million.

- f) We are of the opinion that the gross development value of the proposed development assuming it were just completed was in the sum of RM1.109 billion.
- g) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- h) The subject property is under development individual strata titles are not yet available. The absence of individual strata titles does not affect the Group's title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
- (i) The total proposed saleable area of the subject property at 173,860.43 sqm (approximately 1,871,418 sqft) is correct;
- (ii) The subject property will be issued with various strata / individual titles upon completion of its construction; and
- (iii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable.
- i) Site inspection was carried out by Ms. Nur Amira Bashirah Bte Shafiee, B.(Hons) Estate Management on 23 August 2018.
- j) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:-

<b>Title Particulars</b>	<b>Land Area</b> <i>(In sqm)</i>
Geran 18795 / Lot 7585	21,194.716
Geran 18796 / Lot 7586	21,017.208
Geran 18797 / Lot 7587	21,322.188
Geran 18798 / Lot 7588	20,715.18
Geran 18799 / Lot 7589	21,395.029
Geran 18803 / Lot 7597	20,840.628
Geran 18804 / Lot 7598	20,840.628
Geran 18805 / Lot 7599	20,891.212
Geran 18831 / Lot 7600	20,865.92
H.S.(D) 119739 / PT 15231	2,494

The following particulars are common to above titles:-

Bandar/Pekan/Mukim	:	Mukim Petaling
District	:	Kuala Lumpur
State	:	Wilayah Persekutuan Kuala Lumpur
Tenure	:	Freehold
Category of Land Use	:	'Bangunan' (Building)
Express Condition	:	Lot 7585 to Lot 7589

- 'Tanah ini hendaklah digunakan untuk tapak rancangan perumahan yang pembangunannya hendaklah diselaraskan dengan pelan pertapakkan yang akan dipersetujui oleh Dewan Bandaraya, Kuala Lumpur.' *(This land is to be used as a site for planned housing where its development is in line with the layout plan which will be approved by the City Hall of Kuala Lumpur.)*
- 'Pembangunan di atas tanah ini hendaklah mematuhi perintah pembangunan yang diluluskan oleh Dewan Bandaraya, Kuala Lumpur.' *(The development on this land should adhere to the development order issued by the City Hall of Kuala Lumpur.)*

*Lot 7597 to Lot 7600*

- ‘Tanah ini hendaklah digunakan untuk tapak rancangan perumahan yang pembangunannya hendaklah diselaraskan dengan pelan pertapakkan yang akan dipersetujui oleh Dewan Bandaraya, Kuala Lumpur.’ *(This land is to be used as a site for planned housing where its development is in line with the layout plan which will be approved by the City Hall of Kuala Lumpur.)*
- ‘Pembangunan di atas tanah ini hendaklah mematuhi perintah pembangunan yang dikeluarkan oleh Dewan Bandaraya, Kuala Lumpur.’ *(The development on this land should adhere to the development order issued by the City Hall of Kuala Lumpur.)*

*H.S.(D) 119739 / PT 15231*

- ‘Tapak ini hendaklah digunakan hanya untuk tujuan tapak pembangunan bercampur sahaja.’ *(Mixed development only.)*

Restrictions-In-Interest : Nil

*Except for H.S.(D) 119739 / PT 15231*

- ‘Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai tanpa kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur.’ *(This land cannot be transferred, leased, reserved or charged without securing consent from Land Executive Council Wilayah Persekutuan Kuala Lumpur.)*

Registered Owner : GLM Alam Damai Sdn Bhd  
(As informed by the Group, GLM Alam Damai Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)

Encumbrances : Nil

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C4.2 Emerald Square, a parcel of 'Commercial' land in Pekan Ceras, District of Hulu Langat, Selangor Darul Ehsan, Malaysia	The subject site consists of a parcel of commercial land with a total site area of approximately 41,047 sqm.	Construction works are currently in early stage (piling and earthwork) and full completion is expected in 2024.	<b>HK\$580,200,000</b> (RM300,000,000 MALAYSIAN RINGGIT THREE HUNDRED MILLION)
The subject property is located at Jalan Mujur 1, Taman Sri Mujur, Batu 9 Cheras, Selangor Darul Ehsan at approximately 15 km south east of the City Centre of Kuala Lumpur.	The subject property is known as Emerald Square, a mixed development comprising serviced apartments, shop, offices and hotel suites.  The land use rights of the site is in perpetuity (Freehold).  The total annual land rent payable to the government is RM30,170.		44.4% interests attributable to the Company: <b>HK\$257,608,800</b>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property.
- b) The subject property is zoned for commercial.
- c) The subject property has been approved for a mixed development consisting service apartments, shop, offices and hotel suites vide the latest development Order bearing Reference No. MHA-MPKj/JPP/2017-930/54 ((16)dIm.MPKj.JPP.BPB/KM2/2-2017) dated 25 June 2018, issued by Majlis Perbandaran Kajang.
- d) As provided by the Group, the estimated total development cost is RM1,270,626,695 and the cost incurred up to 31 July 2018 was in the sum of approximately RM170,944,008.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- f) The subject property is under development individual strata titles are not yet available. The absence of individual strata titles does not affect the Group's title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
  - (i) The subject property will be issued with various strata titles upon completion of its construction; and
  - (ii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable.
- g) Site inspection was carried out by Ms. Nur Amira Bashirah Bte Shafiee, B.(Hons) Estate Management on 23 August 2018.

## h) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:-

Title No.	:	HSM 22472
Lot No.	:	PT 60109
Locality	:	Batu 8 ¼, Jalan Cheras
Bandar/Pekan/Mukim	:	Pekan Ceras
District	:	Hulu Langat
State	:	Selangor Darul Ehsan
Land Area	:	41,047 sqm
Tenure	:	Freehold
Category of Land Use	:	'Bangunan' ( <i>Building</i> )
Express Condition	:	'Bangunan Perniagaan' ( <i>Commercial Building</i> )
Restrictions-In-Interest	:	Nil
Registered Owner	:	GLM Emerald Square (Cheras) Sdn Bhd (As informed by the Group, GLM Emerald Square (Cheras) Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Encumbrances	:	Nil

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
C4.3 Phase 3 of Emerald West, HSD 86382/ Lot PT 48380, Municipality of Rawang, District of Gombak, State of Selangor, Malaysia	<p>The subject site consists of a parcel residential land with a total title area of approximately 47,939.6 sqm.</p> <p>Upon completion in 2020, Phase 3 will consist of 142 units of 2 ½-storey terrace house.</p> <p>Emerald West, which Phase 3 forms part, is a fairly large scale ongoing mixed residential development project within the western suburb of the Township of Rawang at approximately 30 km north of Kuala Lumpur, the Capital City of Malaysia.</p> <p>The land use rights of the site are in perpetuity (Freehold).</p> <p>The total annual land rent payable to government is RM10,020.00.</p>	<p>The subject property was under construction during our inspection.</p> <p>The sold portions of the subject property comprises 53 units with a total provisional land area of approximately 8,912.19 sqm and have been contracted to be sold for a total consideration of RM41,281,064.</p>	<p><b>HK\$34,800,000</b> (RM18,000,000 MALAYSIAN RINGGIT EIGHTEEN MILLION)</p> <p>22.2% interests attributable to the Company: <b>HK\$7,725,600</b></p>

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under the title HSD 86382/Lot PT 48380, Municipality of Rawang, District of Gombak, State of Selangor in its existing condition with benefit of the completed main infrastructural works within Emerald West and the site/ building works thereon, with vacant possession and subject to the parent title and title assumption being free from encumbrances and registrable.
- b) The current planning or zoning use is residential in accordance with the approved site layout plan of Emerald West.
- c) Selective main infrastructural works inclusive of roads, drainage, water reticulation, sewerage, landscaping, bridge, mechanical and electrical installations and other minor works have already been completed to provide services to the completed and ongoing phases within Emerald West. These are common-sharing infrastructures for the whole Emerald West project.
- d) According to the titles provided by the Group, the registered owner of the subject property is Hong Bee Realty Sdn Bhd. As informed by the Group, the subject property is held on trust by Hong Bee Realty Sdn Bhd for GLM Emerald West (Rawang) Sdn Bhd, which is a joint venture between GuocoLand (Malaysia) Berhad and Hong Bee Land Sdn Bhd. As informed by the Group, GLM Emerald West (Rawang) Sdn Bhd is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 22.2% attributable interest. Pertinent details of the titles are as follow:

Tenure	:	Freehold
Land Use	:	Building
Encumbrance	:	Charged to Public Bank Berhad.
- e) The sold portions of the subject property comprises 53 units with a total provisional land area of approximately 8,912.19 sqm and have been contracted to be sold for the total consideration of RM41,281,064. In arriving at our opinion on the capital value of the subject property, we have taken into account of the above.

- f) As provided by the Group, the total estimated construction cost is RM43.55 million and the construction cost incurred up to 31 July 2018 was in the sum of approximately RM1.68 million.
- g) We are of the opinion that the gross development value of the proposed development assuming it was just completed is in the sum of RM102.3 million.
- h) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- i) The subject property is under development individual strata titles are not yet available. The absence of individual strata titles does not affect the Group's title in the property concerned. As the subject property is currently held on master title, we have made the following title assumptions in our valuation:
  - (i) The subject property will be issued with various strata / individual titles upon completion of its construction; and
  - (ii) There will be no new and onerous conditions imposed on the title(s) which shall be issued free from all encumbrances and registrable.
- j) A site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C4.4 Phase 4C of Pantai Sepang Putra (South Portion), HSD 24312/Lot PT 7603 – HSD 24453/Lot PT 7744, all within Mukim and District of Sepang, Selangor, Malaysia	<p>The subject site comprises 142 parcels of subdivided residential land with a total title area of approximately 49,049.91 sqm.</p> <p>Upon completion, Phase 4C will consist of 142 units of 2-storey semi-detached house.</p> <p>The land use rights of the subject property is in perpetuity (Freehold).</p> <p>The annual rent payable to the Government is RM46.00 each.</p>	<p>142 units of 2-storey semi-detached house as follows:</p> <p>i) Sub-phase 1 - 56 units (about 98% completed with total cost incurred to-date approximately RM19,581,883).</p> <p>ii) Sub-phases 2 and 3 - 86 units (construction has not been commenced and no cost of construction incurred to-date).</p>	<p><b>HK\$62,300,000</b> (RM32,200,000 MALAYSIAN RINGGIT THIRTY-TWO MILLION TWO HUNDRED THOUSAND)</p> <p>21.0% interests attributable to the Company: <b>HK\$13,083,000</b></p>
The subject property is located adjacent to south and south-west Sg Pelek township where it can be easily accessed from the Sg Pelek- Tg Sepat main road and also the service roads within Pantai Sepang Putra.			

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under the individual titles mentioned above, Mukim and District of Sepang, State of Selangor in its existing condition with vacant possession and subject to the titles being free from encumbrances and registrable.
- b) The subject property is zoned for residential.
- c) Selective main infrastructural works inclusive of roads, drainage, water reticulation, sewerage, landscaping, mechanical and electrical installations and other minor works have already been completed to provide services to the completed, ongoing and future phases within Southern Portion of Pantai Sepang Putra. These are common-sharing as well as local infrastructures works.
- d) As provided by the Group, the total estimated construction cost for Sub-phase 1 is RM24.32 million and the construction cost incurred up to 31 July 2018 was in the sum of approximately RM19.58 million.
- e) We are of the opinion that the gross development value of the proposed development in Sub-phase 1 assuming it was just completed is in the sum of RM47.06 million.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- g) Site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.



## h) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:-

Title No.	:	HSD 24312 to HSD 24453
Lot No.	:	PT 7603 to PT 7744
Bandar/Pekan/Mukim	:	Mukim Sepang
District	:	Selangor
State	:	Selangor Darul Ehsan
Total Land Area	:	49,049.91 sqm
Tenure	:	Freehold
Category of Land Use	:	'Bangunan' ( <i>Building</i> )
Express Condition	:	'Bangunan Kediaman' ( <i>Residential Building</i> )
Restrictions-In-Interest	:	Tiada (Nil)
Registered Owner	:	The East Asiatic Company (M) Bhd (As informed by the Group, The East Asiatic Company (M) Bhd is now renamed as Hap Seng Consolidated Berhad. The subject property is held on trust by Hap Seng Consolidated Berhad for GLM Emerald (Sepang) Sdn Bhd, which is an associated company indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 21.0% attributable interest.)
Encumbrances	:	Nil

## Group C5: Property interests held by the Group for Future Development in Malaysia

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C5.1	4 parcels of 'Building' land and 24 parcels of 'Commercial' terraced plots within Mukim of Rawang, District of Gombak (identified as Phase 6 of Bukit Rahman Putra); and 2 parcels of 'Building' land within Mukim of Sungai Buloh, District of Petaling (identified as Phases 8D and 5B of Bukit Rahman Putra), Selangor Darul Ehsan, Malaysia	Bukit Rahman Putra is an established mixed residential/ commercial/ industrial project located off the Sungai Buloh Interchange at the North-South Highway.  It lies approximately 25 km due north-west of the Kuala Lumpur City Centre.  The total provisional land area of the subject property is approximately 67,693 sqm (728,641 sqft/16.73 acres).  The land use rights of the site is in perpetuity (Freehold).  The total annual rent payable to the government is approximately RM41,093.90 as provided by the Group.	<u>Phases 6 and 5B</u> The sites are presently overgrown with bushes, shrubs and trees. Presently, there is no development.  <u>Phase 8D</u> The sites are presently overgrown with bushes, shrubs and trees.	<b>HK\$2,700,000</b> (RM1,400,000 MALAYSIAN RINGGIT ONE MILLION FOUR HUNDRED THOUSAND)  44.4% interests attributable to the Company: <b>HK\$1,198,800</b>
	The subject property is located in Bukit Rahman Putra, Selangor Darul Ehsan.			

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property which comprises:-
- (i) 4 parcels of 'Building' land and 24 parcels of 'Commercial' terraced plot within Mukim of Rawang, District of Gombak (identified as Phase 6, Bukit Rahman Putra); and
  - (ii) 2 parcels of 'Building' land within Mukim of Sungai Buloh, District of Petaling (identified as Phases 8D and 5B, Bukit Rahman Putra).

Selangor Darul Ehsan with vacant possession and subject to its titles being free from all encumbrances and registrable.

No.	Phase, Bukit Rahman Putra	Title Particulars	Land Area	
			<i>In sqm</i>	<i>In sqft</i>
1)	Phase 6	HS(D) 31904/PT 13195	22,820	245,639
		HS(D) 31906/PT 13197	12,353	132,971
		HS(D) 31910/PT 13201	14,939	160,808
		HS(D) 31911/PT 13202	2,023	21,779
		HS(D) 31912/PT 13203	266	2,858
		HS(D) 31913/PT 13204	121	1,300
		HS(D) 31914/PT 13205	121	1,300
		HS(D) 31915/PT 13206	121	1,300
		HS(D) 31916/PT 13207	121	1,300
		HS(D) 31917/PT 13208	121	1,300
		HS(D) 31918/PT 13209	121	1,300
		HS(D) 31919/PT 13210	121	1,300
		HS(D) 31920/PT 13211	121	1,300
		HS(D) 31921/PT 13212	121	1,300
		HS(D) 31922/PT 13213	121	1,300
		HS(D) 31923/PT 13214	244	2,623
		HS(D) 31924/PT 13215	287	3,093
		HS(D) 31925/PT 13216	121	1,300
		HS(D) 31926/PT 13217	121	1,300
		HS(D) 31927/PT 13218	121	1,300
		HS(D) 31928/PT 13219	121	1,300
		HS(D) 31929/PT 13220	121	1,300
		HS(D) 31930/PT 13221	121	1,300
		HS(D) 31931/PT 13222	121	1,300
		HS(D) 31932/PT 13223	121	1,300
		HS(D) 31933/PT 13224	121	1,300
		HS(D) 31934/PT 13225	121	1,300
		HS(D) 31935/PT 13226	266	2,858
		All in Mukim of Rawang, District of Gombak, Selangor Darul Ehsan.		
2)	Phase 5B	HS(D) 94844/ PT28770 Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan.	7,893	84,959
3)	Phase 8D	HS(D) 94076/ PT 28002 Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan.	4,186	45,057
b)	Phase 6, Bukit Rahman Putra			
	Shape	:	Irregular shape	
	Topography	:	Undulating in terrain and is overgrown with bushes. Shrubs and trees. Presently no development.	
	Total Land Area	:	Approximately 55,614 sqm in 28 separate titles.	
	Services	:	Main water, electricity supply and telephone lines are available in the immediate neighbourhood.	
			Public transportation in the form of buses and taxis is easily available in the vicinity.	

Legal Details : Extracted from registered documents of title provided by the Group/ the Registry of Land Titles Selangor Darul Ehsan in Shah Alam.

Mukim of Rawang, District of Gombak, Selangor Darul Ehsan.

Tenure : Freehold

Category of Land Use : Building

Registered Owner : Harta Kemunchak Sdn Bhd  
 (As informed by the Group, the subject property is held on trust by Harta Kemunchak Sdn Bhd for Sabna Development Sdn Bhd. Sabna Development Sdn Bhd is a subsidiary for the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and which the Company has a 44.4% attributable interest.)

Endorsement : HS(D) 31904 / PT 13195  
 Part of the land measuring at approximately 21 sqm (226 sqft) has been acquired under Form D of Land Acquisition Act 1960 (Act 486) vis Presentation No. 2017/2004, registered on 30 December 2004.

Remarks : According to the Approved Master Layout Plan (Bearing Reference No. MBSA/PRG/PSA U20B-4-04 approved by Shah Alam City Council), these sites are designated for construction of low-cost flats shops (subject to ceiling sale price of RM42,000 per unit) and low-cost shops (subject to ceiling sale price of RM120,000 per unit) together with a public community hall and stalls.

These are part of the social obligations of the Developer to the local community when the project was first approved for development by the State Authority.

We further note that the costs of construction of these low-cost units are usually higher than the fixed selling price and in most of cases, have negative cashflow positions.

c) Phase 5B, Bukit Rahman Putra

Shape : Near rectangular in shape

Topography : Undulating in terrain and is overgrown with bushes. Shrubs and trees. Presently no development.

Total Land Area : Approximately 7,893 sqm.

Legal Details : Extracted from registered documents of title provided by the Group/the Registry of Land Titles Selangor Darul Ehsan in Shah Alam.

Title No. : HS(D) 94844

Lot No. : PT 28770

Mukim : Sungai Buloh

District : Petaling

State : Selangor Darul Ehsan

Tenure : Freehold

Provisional Land Area : Approximately 7,893 sqm

Category of Land Use : Bangunan (*Building*)

Express Condition : 'Tanah ini hendaklah digunakan semata-mata untuk rumah pangsang' (*Apartment*)

Registered Owner : Harta Kemunchak Sdn Bhd  
(As informed by the Group, the subject property is held on trust by Harta Kemunchak Sdn Bhd for Sabna Development Sdn Bhd. Sabna Development Sdn Bhd is a subsidiary for the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and which the Company has a 44.4% attributable interest.)

Remarks : According to the Approved Master Layout Plan (Bearing Reference No. MBSA/PRG/PSA U20B-4-04 approved by Shah Alam City Council), these sites are designated for of low medium-cost apartments (subject to ceiling sale price of RM72,000 per unit).

These low medium-cost apartments are further subject to a "Bumiputra discount" quote i.e. a 7% discount off the total selling price on 70% of the total units built.

- d) Phase 8D, Bukit Rahman Putra
- Shape : Regular in shape
- Topography : Site is overgrown with bushes, shrubs and trees.
- Total Land Area : Approximately 4,186 sqm.
- Legal Details : Extracted from registered documents of title provided by the Group/the Registry of Land Titles Selangor Darul Ehsan in Shah Alam.
- Title No. : HS(D) 94076
- Lot No. : PT 28002
- Mukim : Sungai Buloh
- District : Petaling
- State : Selangor Darul Ehsan
- Tenure : Freehold
- Provisional Land Area : Approximately 4,186 sqm
- Category of Land Use : Bangunan (*Building*)
- Express Condition : ‘Tanah ini hendaklah digunakan semata-mata untuk kondominium’ (*Condominium*)
- Registered Owner : Harta Kemunchak Sdn Bhd  
(As informed by the Group, the subject property is held on trust by Harta Kemunchak Sdn Bhd for Sabna Development Sdn Bhd. Sabna Development Sdn Bhd is a subsidiary for the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and which the Company has a 44.4% attributable interest.)
- Remarks : According to the Approved Building Plan (Bearing Reference No. MBSA/PRG/KMPG/Sek.U20/133-2-2010 approved by Shah Alam City Council on 24 February 2011), this site is approved for an 18-storey condominium building consisting of 84 condominium units, 4-level car parks, 1-level basement car park and facilities.
- e) All the abovementioned sites are viewed and valued together as the last few remaining parcels of the development of the Bukit Rahman Putra project.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- g) External inspections was carried out by Ms. Nur Amira Bashirah Bte Shafiee, B.(Hons) Estate Management on 23 August 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C5.2 A parcel of residential land located within Taman Hill View, Selangor Darul Ehsan, Malaysia  HSD 15960, PT 3059 Mukim of Ulu Kelang District of Gombak State of Selangor Darul Ehsan, Malaysia  The subject property is sited at Jalan 7A, Taman Hill View, Selangor Darul Ehsan.  It lies approximately 9 km north east of Kuala Lumpur city centre.	The subject property is a parcel of residential land with a provisional title land area of 30,417.8754 sqm (approx. 7.52 acres).  The land use rights of the site is in perpetuity (freehold).  The annual rent payable to the government is RM66,552.	Presently the subject property is a vacant residential land which is overgrown with bushes and wild trees lying alongside Jalan 7A, Taman Hill View.	<b>HK\$63,200,000</b> (RM32,700,000 MALAYSIAN RINGGIT THIRTY-TWO MILLION SEVEN HUNDRED THOUSAND)  44.4% interests attributable to the Company: <b>HK\$28,060,800</b>

**Notes:**

a) The basis of valuation is the Market Value of the freehold interest in the subject property (held under HSD 15960, Lot PT 3059, Mukim of Ulu Kelang, District of Gombak, State of Selangor Darul Ehsan) in its existing condition with vacant possession and subject to its title being free from encumbrances and registrable.

b) Our verbal enquiries with Ampang Jaya Town Planning Department confirms that the subject property is zoned for residential with a density of 8 units per acre.

## c) Site and Services

Shape	:	Regular in shape
Topography	:	Undulating in terrain and the site sits above the level of the frontage road i.e. Jalan 7A. It is overgrown with wild trees and bushes.
Fencing	:	Partially demarcated with metal sheet fencing.
Street Frontage	:	Jalan 7A
Services	:	Main water, electricity supply and telephone lines are available in the immediate neighborhood.

Ampang Jaya Municipal Council provides the usual public services to this area. Public transportation is available within the vicinity.

## d) Legal Details

Extracted from a private search at Pejabat Tanah dan Galian Selangor (Selangor Land and Mines Office) in Shah Alam on 2 August 2018:

Title No	:	HSD 15960
Lot No	:	PT 3059
Mukim	:	Ulu Kelang
District	:	Gombak
State	:	Selangor Darul Ehsan
Tenure	:	Freehold
Land Area	:	30,417.8754 sqm ( 327,426 sqft)
Annual Rent	:	RM66,552.00
Category of Land Use	:	Bangunan (Building)
Express Condition	:	Rumah Pangsa (Apartment)
Registered Owner	:	Hampstead Corporation Sdn Bhd (As informed by the Group, Hampstead Corporation Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)

e) An inspection was carried out by Mr. Lee Poh Boon (Thomas), B.Sc. (Hons) Real Estate Management & Development on 15 August 2018.

f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.



## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C5.3 A parcel of development land at Geran 20438, Lot 36 Section 1, Town of Batu Ferringhi, District of Timor Laut, Penang, Malaysia	<p>The subject property is a parcel of development land (zoned for residential) with title land area of 18,538.6473 sqm.</p> <p>The land use rights of the site is in Perpetuity (Freehold).</p> <p>The annual rent payable to the government is RM9,978.</p>	<p>The subject property is a development land which is built upon and occupied by 85 units of illegal semi-permanent structures (squatters).</p>	<p><b>HK\$68,700,000</b> (RM35,500,000 MALAYSIAN RINGGIT THIRTY-FIVE MILLION FIVE HUNDRED THOUSAND)</p> <p>44.4% interests attributable to the Company: <b>HK\$30,502,800</b></p>
<p>The subject property is located along the south-eastern side of Jalan Batu Feringghi.</p> <p>It is situated in Batu Ferringhi Town and about 16 km north-west of Georgetown town centre.</p>			

**Notes:**

- a) The basis of the valuation is the Market Value of the freehold interest in the subject property (held under Geran 20438, Lot 36 Section 1, Town of Batu Ferringhi, District of Timor Laut, Penang) in its existing condition, without vacant possession and subject to its title being free from encumbrances and registrable.
- b) Per our verbal enquiry with the Jabatan Perancang Bandar Dan Pengindahan (Town Planning Department), City Council of Penang Island, we were informed that the subject site is zoned for residential and has a density of 15 units per acre.
- c) From our enquiries at the Public Works Department and the Town Planning Department, City Council of Penang Island, we note that:
  - (i) The subject property will be severed into 2 parcels of land due to the proposed North Coast Road (proposed by JKR).
  - (ii) This proposed road project cuts through the centre of the land at a width of about 250 feet.
  - (iii) On the western and north-western sides of the site, the land is further subject to a 66-foot road widening exercise on the existing Jalan Batu Feringghi.
  - (iv) The south-eastern portion currently has:
    - A remaining area of about 1.8 acres (extracted from details provided by the Group);
    - Current density at 15 units per acre; and
    - A responsibility to subsidize the costs of construction of the North Coast Road is estimated at RM2 million per km upon development.
- d) There has been no proper land survey done and all usable areas given are estimated figures provided by the Group.

## e) Site and Services

Shape	:	Irregular in shape
Topography	:	Flat in terrain except for its south-western portions which ascend with contour of about 20 metres (approximately 66 feet). It is built upon with about 85 units of illegal semi-permanent structures (squatters).
Fencing	:	The site boundary is not demarcated with any form of fencing.
Street Frontage	:	Jalan Batu Feringghi
Services	:	Main water, electricity and telephone lines are connected to the subject property.  Public transport in the form of buses and taxis is available along Jalan Batu Ferringhi.  Local services are provided by City Council of Penang Island.

f) A site inspection was carried out by Mr. Sim Kar Sheng B. (Hons) Estate Management on 31 July 2018.

g) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.

## h) Legal Details

The following title particulars were obtained through a private search carried out on 23 July 2018.

Lot No.	:	36 SECTION 1
Title No.	:	GRN 20438
Town	:	Batu Ferringhi
District	:	Timor Laut
State	:	Pulau Pinang
Land Area	:	18,538.6473 sqm
Tenure	:	Freehold
Annual Rent	:	RM9,978.00
Category of Land Use	:	'Tiada' (Nil)
Registered Proprietor	:	Pembinaan Sri Jati Sdn Bhd - full share  (As informed by the Group, Pembinaan Sri Jati Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 44.4% attributable interest.)
Express Conditions	:	The land comprised in this title:  (i) shall not be affected by any provision of the National Land Code or any other written law prohibiting mining or the removal of specified materials beyond the boundaries of the land;  (ii) shall not be affected by any provision of the National Land Code limiting the compensation payable on the creation of a Collector's right of way of compensation for damage in respect of trees, crops or buildings.
Restrictions-In-Interest	:	'Tiada' (Nil)

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C5.4 9 parcels of development land (known as Jasin Lalang Estate)	The subject property comprises 9 parcels of development land with total land area of 1,560.60 hectares (approximate 3,856.24 acres).	The subject property is still cultivated as an oil palm plantation Known as “Jasin Lalang Estate” upon our inspection.	<b>HK\$969,000,000</b> (RM501,000,000 MALAYSIAN RINGGIT FIVE HUNDRED AND ONE MILLION)
GM 167/ Lot 1047 GRN 46414/ Lot 7046 GRN 46413/ Lot 7045 GRN 46412/ Lot 7044 GRN 53455/ Lot 7001 GRN 11217/ Lot 1294 GRN 60084/ Lot 7561 GRN 59205/ Lot 7562 GRN 58352/ Lot 19290	The land use rights of the site is in perpetuity (Freehold).  The total annual rent payable to the state government is RM98,165.30).	Presently the subject property is used as a plantation.	30.2% interests attributable to the Company: <b>HK\$292,638,000</b>
all within Mukim Jasin, District of Jasin and State Melaka, Malaysia			
The subject property is sited along both sides of Jasin Toll Plaza and is located at the fringe of Jasin/ Bemban Town. It lies approximately 10 km to the south eastern side of the Jasin town centre and south western of the Melaka city centre respectively.			

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under

<b>No.</b>	<b>Title No. / Lot No.</b>	<b>No.</b>	<b>Title No./ Lot No.</b>
1.	GM 167/ Lot 1047	6.	GRN 11217/ Lot 1294
2.	GRN 46414/ Lot 7046	7.	GRN 60084/ Lot 7561
3.	GRN 46413/ Lot 7045	8.	GRN 59205/ Lot 7562
4.	GRN 46412/ Lot 7044	9.	GRN 58352/ Lot 19290
5.	GRN 53455/ Lot 7001		

all within Mukim and District of Jasin, Melaka in its existing condition with vacant possession and subject to its titles being free from encumbrances and registrable.

- b) Our verbal enquiries with Town Planning Department of Melaka State confirms that the subject property is zoned for residential.

- c) Site and Services
- |                 |   |  |
|-----------------|---|--|
| Shape           | : | Regular in shape   |
| Topography      | : | Gently undulating in terrain and planted with oil palm   |
| Fencing         | : | Partly secured with chain link fencing   |
| Street Frontage | : | Situated along North- South Highway at the Jasin Toll Interchange and alongside Jalan Merlimau- Jasin, Jalan Merlimau – Bemban and Jalan Dato Mulia. |
| Services        | : | Main water, electricity supply and telephone lines are available in the immediate neighbourhood.   |
- Jasin Municipal Council provides the public services to this area. Public Transportation is available within the vicinity.
- d) For the present exercise, we were specifically instructed by the Group to value the subject property as parcel of land with development potential (i.e. excluding all the biological assets).
- e) During our inspection of the subject site, we note that:-
- (i) There are some structures erected on site to support the operations of the plantation such as bungalows, quarters, office, temples, warehouse, etc.;
  - (ii) A primary school, Sekolah Jenis Kebangsaan (T) Ladang Jasin Lalang is sited on Lot 7046;
  - (iii) A cemetery is also found sited on the southern part of Lot 1294.
- f) The common particulars for the titles are as follows:
- (i) Mukim and District of Jasin, Melaka;
  - (ii) Tenure: Freehold.
- g) The titles are registered to IOI Corporation Berhad, As informed by the group, the subject property is held on trust by IOI Corporation Berhad for Continental Estate Sdn Bhd, which is a subsidiary of the Company. Continental Estate Sdn Bhd is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 30.2% attributable interest.
- h) An inspection was carried out by Mr. Lee Poh Boon (Thomas), B.Sc. (Hons) Real Estate Management & Development on 21 August 2018.
- i) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.

## j) Legal Details

Brief particulars extracted from searches of the registered documents of title at the Jasin District Land Office and Melaka Lands and Mines Office are as follows:-

No.	Title No.	Lot No.	Land area (Hectares)	Annual Rent	Express Condition	Endorsement
1.	GM 167	1047	0.7525	RM 41.00	Nil	Nil
2.	GRN 46414	7046	217.9	RM14,382.00	Untuk tanaman kelapa sawit sahaja (For oil palm only)	Nil
3.	GRN 46413	7045	147.5*	RM9,735.00*	Untuk tanaman kelapa sawit sahaja (For oil palm only)	Part of the land about 5.7282 hectares has been acquired (vis Borang K) and the annual rent has been reduced to RM9,358.00 vide Presentation No 0400N2018000354, dated 21 May 2018. The new land area is now 141.7718 hectares.
4.	GRN 46412	7044	111.4	RM7,353.00	Untuk tanaman kelapa sawit sahaja (For oil palm only)	Nil
5.	GRN 53455	7001	32.14	RM2,122.00	–	Part of the land has been leased to The Federal Land Commissioner vide Presentation No 0400SC1967003335 Jil. 1 Fol 25 dated 1 January 1967
6.	GRN 11217	1294	243.5197	RM16,073.00	Nil	Nil
7.	GRN 60084	7561	445*	RM29,370.00*	Nil	Part of the land about 3.258 hectares has been acquired (via Borang K) and the annual rent has been reduced to RM24,319.30 vide Presentation No 0400N2002P30664, dated 27 February 1974. The new land area is now 441.742 hectares.
8.	GRN 59205	7562	107.6	RM7,102.00	Nil	Nil
9.	GRN 58352	19290	263.80	RM17,415.00	Untuk tanaman kelapa sawit sahaja (For oil palm only)	Nil

Mukim : Jasin  
District : Jasin  
State : Melaka  
Tenure : Freehold (Perpetuity)  
Category of land use : Agricultural (Pertanian)  
Registered Proprietor(s) : IOI Corporation Berhad – full share

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
<p>C5.5 12 parcels of land within Emerald East, Section 18, Municipality of Rawang, District of Gombak, State of Selangor, Malaysia</p> <p>The subject property is located within the suburb of Rawang where it can be easily accessed by the Rawang-Batang Berjantai main road and the service roads within Emerald East.</p>	<p>The subject property comprises</p> <p>a) 7 parcels of commercial land, HSD 70367/Lot PT 6686, HSD 70368/Lot PT 6687, HSD 70369/Lot PT 6688, HSD 70350/Lot PT 6669, HSD 70351/Lot PT 6670, HSD 87275/Lot PT 9442, HSD 70208/Lot PT 6532 with a total title area of approximately 44,472.10 sqm;</p> <p>b) Two parcels of land for Low-Cost Apartments HSD 70207/Lot PT 6531 and HSD 87274/Lot PT 9441 has a total combined title area of approximately 25,543.2 sqm;</p> <p>c) A parcel of land for Low Medium-Cost Apartments HSD 70206/Lot PT 6530 has a total title area of approximately 12,368.7 sqm; and</p> <p>d) Two parcels of land for Medium-Cost Apartments HSD 87273/Lot PT 9440 and HSD 70205/Lot PT 6529 has a total combined title area of approximately 10,945.2 sqm.</p>	<p>The subject property was vacant upon our inspection.</p>	<p><b>HK\$54,200,000</b> (RM28,000,000 MALAYSIAN RINGGIT TWENTY-EIGHT MILLION)</p> <p>22.2% interests attributable to the Company: <b>HK\$12,032,400</b></p>
	<p>Emerald East is a fairly large scale ongoing mixed residential development project within the western suburb of the Township of Rawang at approximately 30 km north of Kuala Lumpur, the Capital City of Malaysia.</p>		
	<p>These are the lands for the remaining future phases of the Emerald East development and are prepared ready for immediate building purposes thereon.</p>		
	<p>The land use rights of the site are in perpetuity (freehold).</p>		
	<p>The total annual land rent payable to government is RM159,015.00.</p>		

*Notes:*

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under the titles stated below, Section 18, Municipality of Rawang, District of Gombak, State of Selangor in their respective existing condition with benefit of the completed main infrastructural works within Emerald East, with vacant possession and subject to the titles and title assumptions being free from encumbrances and registrable.

**No. Title No. / Lot No.**

1. HSD 70350/Lot PT 6669, HSD 70351/Lot PT 6670, HSD 70367/Lot PT 6686, HSD 70368/Lot PT 6687, HSD 70369/Lot PT 6688, HSD 87275/Lot PT 9442, HSD 70208/Lot PT 6532 (Commercial Lands)
  2. HSD 70207/Lot PT 6531 and HSD 87274/Lot PT 9441 (Land for Low-Cost Apartments)
  3. HSD 70206/Lot PT 6530 (Land for Low Medium-Cost Apartments)
  4. HSD 87273/Lot PT 9440 and HSD 70205/Lot PT 6529 (Land for Medium-Cost Apartments)
- b) The existing use for the subject property is expressly stated in the respective documents of title.
- c) Selective main infrastructural works inclusive of roads, drainage, water reticulation, sewerage, landscaping, bridge, mechanical and electrical installations, and other minor works have already been completed to provide services to the completed and ongoing phases within Emerald East. These are common-sharing infrastructures for the whole Emerald East project.
- d) According to the titles provided by the Group, the registered owner of the subject property is GLM Emerald East (Rawang) Sdn Bhd. As informed by the Group, GLM Emerald East (Rawang) Sdn Bhd is a joint venture between GuocoLand (Malaysia) Berhad and Hong Bee Land Sdn Bhd. GLM Emerald East (Rawang) Sdn Bhd is a joint venture which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 22.2% attributable interest.
- e) A site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.



## g) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:-

No.	Title No.	Lot No.	Land area (sqm)	Annual Rent	Express Condition
1.	HSD 70367	PT 6686 Seksyen 18	2,581.50	RM8,538.00	Bangunan Perniagaan (Commercial building)
2.	HSD 70368	PT 6687 Seksyen 18	3,542.00	RM10,945.00	Bangunan Perniagaan (Commercial building)
3.	HSD 70369	PT 6688 Seksyen 18	1,660.10	RM5,130.00	Bangunan Perniagaan (Commercial building)
4.	HSD 73050	PT 6669 Seksyen 18	12,951.90	RM40,022.00	Bangunan Perniagaan (Commercial building)
5.	HSD 70351	PT 6670 Seksyen 18	2,163.90	RM7,157.00	Bangunan Perniagaan (Commercial building)
6.	HSD 87275	PT 9442 Seksyen 18	7,501.00	RM24,806.00	Bangunan Perniagaan (Commercial building)
7.	HSD 70208	PT 6532 Seksyen 18	14,071.70	RM46,536.00	Bangunan Perniagaan (Commercial building)
8.	HSD 70207	PT 6531 Seksyen 18	24,941.30	RM8,106.00	Bangunan Kediaman (Residential Building)
9.	HSD 87274	PT 9441 Seksyen 18	601.90	RM196.00	Bangunan Kediaman (Residential Building)
10.	HSD 70206	PT 6530 Seksyen 18	12,368.70	RM4,020.00	Bangunan Kediaman (Residential Building)
11.	HSD 87273	PT 9440 Seksyen 18	9,929.60	RM3,228.00	Bangunan Kediaman (Residential Building)
12.	HSD 70205	PT 65290 Seksyen 18	1,015.60	RM331.00	Bangunan Kediaman (Residential Building)

Mukim : Bandar Rawang

District : Gombak

State : Selangor Darul Ehsan

Tenure : Freehold (Perpetuity)

Category of land use : Bangunan (Building)

Registered Proprietor(s) : GLM Emerald East (Rawang) Sdn Bhd (As informed by the Group, GLM Emerald East (Rawang) Sdn Bhd is a joint venture between GuocoLand (Malaysia) Berhad and Hong Bee Land Sdn Bhd. GLM Emerald East (Rawang) Sdn Bhd is a joint venture which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 22.2% attributable interest).

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
<p>C5.6 9 parcels of land within Emerald West, Municipality of Rawang, District of Gombak, State of Selangor, Malaysia</p> <p>The subject property is located within the suburb of Rawang where it can be easily accessed by the Rawang-Batang Berjantai main roads within Emerald West and Taman Velox.</p>	<p>The subject property comprises</p> <p>a) 4 commercial lands, HSD 85480/Lot PT 47003, HSD 85481/Lot PT 47004, HSD 85485/Lot PT 47008, HSD 86384/Lot PT 48382 with a total title area of approximately 161,976.10 sqm;</p> <p>b) Two parcels of residential land for mixed development HSD 86381/Lot PT 48379, HSD 85979/Lot PT 47502 with a total title area of approximately 1,421,301 sqm;</p> <p>c) A parcel of land for Apartments HSD 85142/Lot PT 46665 with a title area of approximately 74,314.9 sqm;</p> <p>d) A parcel of land for townhouse HSD 85484/Lot PT 47007 with a title area of approximately 21,610.7 sqm; and</p> <p>e) A parcel of land for future development HSD 85833/Lot PT 47356 with a title area of approximately 35,672.1 sqm.</p>	<p>The subject property was vacant upon our inspection</p>	<p><b>HK\$518,300,000</b> (RM268,000,000 MALAYSIAN RINGGIT TWO HUNDRED SIXTY-EIGHT MILLION)</p> <p>22.2% interests attributable to the Company: <b>HK\$115,062,600</b></p>
	<p>Emerald West is a fairly large scale ongoing mixed residential development project within the western suburb of the Township of Rawang at approximately 30 km north of Kuala Lumpur, the Capital City of Malaysia.</p>		
	<p>The land use rights of the site are in perpetuity (freehold).</p>		

**Notes:**

- a) The basis of valuation is the Market Value of the freehold interest in the subject property held under the titles stated below, Municipality of Rawang, District of Gombak, State of Selangor in their respective existing condition with benefit of the completed main infrastructural works within Emerald West, with vacant possession and subject to the titles and title assumptions being free from encumbrances and registrable.

**No. Title No. / Lot No.**

1. HSD 85480/Lot PT 47003, HSD 85481/Lot PT 47004, HSD 85485/Lot PT 47008, HSD 86384/Lot PT 48382 (Commercial Lands)
  2. HSD 86381/Lot PT 48379, HSD 85979/Lot PT 47502 (Residential Land)
  3. HSD 85142/Lot PT 46665 (Land for Apartments)
  4. HSD 85484/Lot PT 47007 (Land for Townhouses)
  5. HSD 85833/Lot PT 47356 (Land for future development)
- b) The existing use for the subject property is expressly stated in the respective documents title.
- c) Selective main infrastructural works inclusive of roads, drainage, water reticulation, sewerage, landscaping, bridge, mechanical and electrical installations, and other minor works have already been completed to provide services to the completed and ongoing phases within Emerald West. These are common-sharing infrastructures for the whole Emerald West project.
- d) According to the titles provided by the Group, the registered owner of the subject property is Hong Bee Realty Sdn Bhd. As informed by the Group and according to Sale and Purchase Agreement dated 31 May 2000 and Fifth Supplemental Agreement dated 25 April 2003, the subject property is held on trust by Hong Bee Realty Sdn Bhd for GLM Emerald West (Rawang) Sdn Bhd. GLM Emerald West (Rawang) Sdn Bhd is a joint venture (between GuocoLand (Malaysia) Berhad and Hong Bee Land Sdn Bhd) of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 22.2% attributable interest.
- e) A site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.

## g) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:

No.	Title No.	Lot No.	Land area (sqm)	Annual Rent	Express Condition
1.	HSD 85142	PT 46665	74,314.90	RM15,532.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)
2.	HSD 85484	PT 47007	21,610.70	RM4,517.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)

No.	Title No.	Lot No.	Land area (sqm)	Annual Rent	Express Condition
3.	HSD 85833	PT 47356	35,672.10	RM7,456.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)
4.	HSD 86381	PT 48379	1,070,351.37	RM233,704.00	Bangunan Kediaman (Residential Building)
5.	HSD 85480	PT 47003	28,566.00	RM60,818.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)
6.	HSD 85481	PT 47004	33,494.70	RM71,311.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)
7.	HSD 85485	PT 47008	88,412.40	RM188,230.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)
8.	HSD 86384	PT 48382	11,503.00	RM24,490.00	Bangunan Perniagaan (Commercial Building)
9.	HSD 85979	PT 47502	350,949.70	RM73,349.00	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor (Construction of buildings subject to Selangor Town and Country Planning Department)

Mukim : Bandar Rawang

District : Gombak

State : Selangor Darul Ehsan

Tenure : Freehold (Perpetuity)

Category of land use : Bangunan (Building)

Registered Proprietor(s) : Hong Bee Realty Sdn Bhd  
(According to Sale and Purchase Agreement dated 31 May 2000 and Fifth Supplemental Agreement dated 25 April 2003, the beneficial owner of the subject property is GLM Emerald West (Rawang) Sdn Bhd. As informed by the Group, GLM Emerald West (Rawang) Sdn Bhd is a joint venture which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 22.2% attributable interest.)

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C5.7	5 parcels of development land located within Bagan Lalang, Sepang, GRN 251910/Lot 41, GRN 176674/Lot 3347, GRN 176675/Lot 5832, GM 273/Lot 223, GRN 118286/Lot 5773 and balance 658 subdivided titles within Mukim and District of Sepang, State of Selangor, Malaysia  The subject property is located adjacent to south and south-west of Sg Pelek township where it can be easily accessed from the Sg Pelek- Tg Sepat main road and also the service roads within Pantai Sepang Putra.	These development lands and Pantai Sepang Putra (a large scale mixed residential development project) are located within Bagan Lalang, Sepang at approximately 70 km south of Kuala Lumpur, the Capital City of Malaysia.  The 5 parcels of the development land (inclusive of the Northern Portion) have a total land area of approximately 2,662.76 acres.  The balance undeveloped area of the Southern Portion of the Pantai Sepang Putra project has a total title land area of approximately 85.56 acres based on the 658 subdivided titles.  The land use right of the subject property is in perpetuity (Freehold).	The 5 parcels of the development land (inclusive of the Northern Portion of the developed Pantai Sepang Putra Project) are largely improved by the registered owner as an oil palm plantation.  The balance undeveloped area of the southern portion is currently vacant.	<b>HK\$1,856,700,000</b> (RM960,000,000 MALAYSIAN RINGGIT NINE HUNDRED SIXTY MILLION)  21.0% interests attributable to the Company: <b>HK\$389,907,000</b>

**Notes:**

a) Basis of Valuation:

Market value of the freehold interest:

**No. Title No. / Lot No.**

1. 251910/ Lot 41

2. Geran 176674/ Lot 3347

3. Geran 176675/ Lot 5832

4. GM 273/ Lot 223

5. Geran 118286/ Lot 5773 (Northern Portion of the Pantai Sepang Putra Project)

6. 658 subdivided titles (within the Southern Portion of the Pantai Sepang Putra Project)

all within Mukim of District of Sepang, State of Selangor in its existing condition with vacant possession and subject to the titles being free from encumbrances and registrable.

b) Our verification with the Sepang Municipal Council Planning Department confirms that the development lands above is zoned Mixed Development. Meanwhile the master layout plan for Northern and Southern Portions were approved for mixed residential development project known as Pantai Sepang Putra.

- c) Site and Services
- |                 |   |   |
|-----------------|---|---|
| Shape           | : | Regular in shape  |
| Topography      | : | Generally flat in terrain and the development lands were planted with oil palm.   |
| Street Frontage | : | The development lands are situated along the Sg- Pelek – Tg Sepat main road whilst the subdivided lots can be accessed via service roads within Pantai Sepang Putra.  |
| Services        | : | Main water, electricity supply and telephone lines are available in the immediate neighbourhood.<br><br>Sepang Municipal Council provides the public services to this area. Public transportation is available within the vicinity. |
- d) For the present exercise, we were specifically instructed by the Group to value the subject property as parcels of land with development potential (i.e excluding all biological assets).
- e) During our inspection of the subject site, we note that:
- (i) There are some structures erected on site to support the operations of the plantation such as bungalows, quarters, office, temples, warehouses;
  - (ii) There are some vegetable farming activities found within these lands.
- f) Selective main infrastructural works inclusive of roads, drainage, water reticulation, sewerage, landscaping, mechanical and electrical installations and other minor works have already been completed to provide services to the completed and future phases within the Southern Portion of Pantai Sepang Putra. These are common-sharing as well as local infrastructures works.
- g) The Common Particulars for the titles are as follows:
- (i) Mukim and District of Sepang, State of Selangor;
  - (ii) Tenure: Freehold.
- h) The titles are registered to Hap Seng Consolidated Berhad and The East Asiatic Company (M) Bhd. As informed by the Group, The East Asiatic Company (M) Bhd is now renamed as “Hap Seng Consolidated Berhad”. The subject property is held on trust by Hap Seng Consolidated Berhad for GLM Emerald (Sepang) Sdn Bhd, which is an associated company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 21.0% attributable interest.
- i) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 24%.
- j) A site inspection was carried out by Mr. Fong Wee Pau, Diploma in Estate Management on 31 July 2018.

## k) Legal Details

Brief particulars extracted from the documents of titles provided by the Group are as follows:

No	Title No.	Lot No.	Land area (Hectares)	Annual Rent (RM)	Category of Land Use	Express Condition	Encumbrance	Endorsement
1.	GRN 251910	41	190.9	6,758.00	Pertanian (Agricultural)	Tiada (Nil)	Nil	Nil
2.	GRN 176674	3347	354.108	12,538.00	Tiada (Nil)	Tiada (Nil)	Public Bank Berhad	Nil
3.	GRN 176675	5832	416.00	14,272.00	Tiada (Nil)	Tiada (Nil)	Public Bank Berhad	Nil
4.	GM 273	223	4.8562	141.0	Pertanian (Agricultural)	Tanaman Kekal (Permanent Crops (Industrial))	Nil	Nil
5.	GRN 118286	5773	271 *	9,594.00	Tiada (Nil)	Tiada (Nil)	Nil	Part of the land about 10 acres has been acquired (via Borang K) vide Presentation No. 5441/1983 dated 17 March 1983.  Part of the land about 40 acres has been acquired (via Borang K) vide Presentation No. 604/1984 dated 6 February 1984.  Part of the land about 10 acres has been acquired (via Borang K) vide Presentation No. 6812/1987 dated 1 January 2016.

**Note:** The land area of Lot 5773 is 276.06 acres as per the Planning Approval bearing Reference No: PIRP/D749(S2)/GLM/SMT02. We have adopted this land area in our valuation.

## l) Summary of the 658 subdivided titles as provided by the Group (within the Southern Portion of the Pantai Sepang Putra Project) is as follow:

No	Phase	No. of Lots	Area (sqm)	Quit Rent (RM)	Express Condition	Usage (as per approved master layout plan)
1.	2C1	5	3,130	230	Bangunan Kediaman (Residential Building)	Bungalow Lots
2.	2C2	6	24,354.60	16,129	Bangunan Perniagaan (Commercial Building)	Commercial Plots
3.	2E	107	54,048.20	4,924	Bangunan Kediaman (Residential Building)	Bungalow Lots

No	Phase	No. of Lots	Area (sqm)	Quit Rent (RM)	Express Condition	Usage (as per approved master layout plan)
4.	3C	376	56,412.70	17,296	Bangunan Kediaman (Residential Building)	Terrace House Lots
5.	3F	77	10,843.70	3,542	Bangunan Kediaman (Residential Building)	Low- Medium Cost Terrace House Lots
6.	5A	1	24,765.70	1,477	Bangunan Kediaman (Residential Building)	Low-Cost Apartment Land
7.	5B	1	61,854.30	3,687	Bangunan Kediaman (Residential Building)	Low-Cost Apartment Land
8.	5C	1	29,592.10	1,764	Bangunan Kediaman (Residential Building)	Low-Cost Apartment Land
9.	5D	1	35,130.90	2,131	Bangunan Kediaman (Residential Building)	Low-Cost Apartment Land
10.	6A	18	2,274.2	1,668	Bangunan Perniagaan (Commercial Building)	Low-Cost Shop Lots
11.	6B	34	4,282.40	3,139	Bangunan Perniagaan (Commercial Building)	Low-Cost Shop Lots
12.	6C	30	3,830.40	2,800	Bangunan Perniagaan (Commercial Building)	Low-Cost Shop Lots
13.	8A	1	35,743.60	2,130	Bangunan Kediaman (Residential Building)	Medium-Cost Apartment Land
<b>Total</b>		<b>658</b>	<b><u>346,262.80</u></b>	<b><u>60,917</u></b>		



The particulars common of the above titles are as follows:

Mukim	:	Selangor
District	:	Selangor
State	:	Selangor Darul Ehsan
Tenure	:	Freehold (Perpetuity)
Category of Land Use	:	Bangunan
Registered Owner	:	The East Asiatic Company (M) Sdn Bhd (As informed by the Group, The East Asiatic Company (M) Bhd is now renamed as "Hap Seng Consolidated Berhad". The subject property is held on trust by Hap Seng Consolidated Berhad for GLM Emerald (Sepang) Sdn Bhd which is an associated company indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 21.0% attributable interest.)

## Group C6: Property interests rented by the Group in Malaysia

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C6.1	Storage Room 1, Mezzanine Floor, Connecting Podium, HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur, Malaysia  HP Towers comprise two (2) blocks of office tower namely Block A (9-storey) and Block B (21-storey).  It lies approximately 8 km to the north-west of Kuala Lumpur City Center.	The subject property is tenanted by GLM Property Services Sdn Bhd for a renewal term of three (3) years expiring on 31December 2019.  The tenanted area is 302 sqft (approx. 28.056 sqm) and it is tenanted at monthly rental of RM906 inclusive of service charges but excluding electricity, water, telephone charge, waste disposal and any other services/utilities consumed within or supplied to the premises, Quit Rent, Assessment, Property Tax, Goods and Services Tax and other Statutory/Regulatory Imposed Charges.	The subject property is currently occupied by GLM Property Services Sdn Bhd as storage rooms.	No commercial value

**Notes:**

- a) The parking arrangement in this building is a separate arrangement and does not form part of the tenancy agreement. The tenant is allocated car parking bays but are subject to monthly rental payments.
- b) The registered owner of the subject property is MTrustee Berhad (acting as trustee for and on behalf of Tower Real Estate Investment Trust ("Tower REIT")). As informed by the Group, the registered owner is an independent third party of the Group. GLM REIT Management Sdn Bhd ("GLM"), a wholly owned subsidiary of GuocoLand (Malaysia) Berhad, is the manager of Tower REIT and GLM has a 21.66% interest in Tower REIT.
- c) An external inspection was carried out by Mr. Lee Poh Boon (Thomas), B.Sc. (Hons) Real Estate Management & Development on 30 July 2018.
- d) The property interests are considered to have no commercial value due to lack of material value difference between the existing rent and the market level.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>												
C6.2 Storage Rooms 1 and 2, MF Floor, Block B, HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur, Malaysia	<p>The subject property is tenanted by GLM Property Services Sdn Bhd for a renewal term of three (3) year expiring on 31 December 2019.</p> <p>The tenanted areas are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Sqm</th> <th style="text-align: center;">Sqft</th> </tr> </thead> <tbody> <tr> <td>S.Room 1</td> <td style="text-align: center;">36.3</td> <td style="text-align: center;">391</td> </tr> <tr> <td>S.Room 2</td> <td style="text-align: center;">39.0</td> <td style="text-align: center;">420</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: center; border-top: 1px solid black;">75.3</td> <td style="text-align: center; border-top: 1px solid black;">811</td> </tr> </tbody> </table>		Sqm	Sqft	S.Room 1	36.3	391	S.Room 2	39.0	420	Total	75.3	811	The subject property is currently occupied by GLM Property Services Sdn Bhd as storage rooms.	No commercial value
	Sqm	Sqft													
S.Room 1	36.3	391													
S.Room 2	39.0	420													
Total	75.3	811													
<p>HP Towers comprise two (2) blocks of office tower namely Block A (9-storey) and Block B (21-storey).</p> <p>It lies approximately 8 km to the north-west of Kuala Lumpur City Center.</p>	<p>The subject property is tenanted at a monthly rental of RM1,500 inclusive of service charges but excluding electricity, water, telephone charge, waste disposal and any other services/utilities consumed within or supplied to the premises, Quit Rent, Assessment, Property Tax, Goods and Services Tax and other Statutory/Regulatory Imposed Charges.</p>														

**Notes:**

- a) The parking arrangement in this building is a separate arrangement and does not form part of the tenancy agreement. The tenant is allocated car parking bays but are subject to monthly rental payments.
- b) The registered owner of the subject property is MTrustee Berhad (acting as trustee for and on behalf of Tower Real Estate Investment Trust ("Tower REIT")). As informed by the Group, the registered owner is an independent third party of the Group. GLM REIT Management Sdn Bhd ("GLM"), a wholly owned subsidiary of GuocoLand (Malaysia) Berhad, is the manager of Tower REIT and GLM has a 21.66% interest in Tower REIT.
- c) An external inspection was carried out by Mr. Lee Poh Boon (Thomas), B.Sc. (Hons) Real Estate Management & Development on 30 July 2018.
- d) The property interests are considered to have no commercial value due to lack of material value difference between the existing rent and the market level.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
C6.3 Storage Room 1, 16th Floor, Block B, HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur, Malaysia	The subject property is tenanted by GLM Property Services Sdn Bhd for a term of one (1) year expiring on 14 February 2019 with an option to renew for further term of one (1) year at an open market rent.  The tenanted area is 1,710 sqft (approx. 158.86 sqm) and it is tenanted at a monthly rental RM6,156 inclusive of service charges but excluding electricity, water, telephone charge, waste disposal and any other services/utilities consumed within or supplied to the premises, Quit Rent, Assessment, Property Tax, Goods and Services Tax and other Statutory/Regulatory Imposed Charges.	The subject property is currently occupied by GLM Property Services Sdn Bhd as storage room.	No commercial value
HP Towers comprise two (2) blocks of office tower namely Block A (9-storey) and Block B (21-storey).  It lies approximately 8 km to the north-west of Kuala Lumpur City Center.			

**Notes:**

- a) The parking arrangement in this building is a separate arrangement and does not form part of the tenancy agreement. The tenant is allocated car parking bays but are subject to monthly rental payments.
- b) The registered owner of the subject property is MTrustee Berhad (acting as trustee for and on behalf of Tower Real Estate Investment Trust ("Tower REIT")). As informed by the Group, the registered owner is an independent third party of the Group. GLM REIT Management Sdn Bhd ("GLM"), a wholly owned subsidiary of GuocoLand (Malaysia) Berhad, is the manager of Tower REIT and GLM has a 21.66% interest in Tower REIT.
- c) An external inspection was carried out by Mr. Lee Poh Boon (Thomas), B.Sc. (Hons) Real Estate Management & Development on 30 July 2018.
- d) The property interests are considered to have no commercial value due to lack of material value difference between the existing rent and the market level.

## GROUP D1 - Property interests held by the Group for Investment in Singapore

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018	
D1.1	<p>21 strata office units, Reversionary interest of 7 strata office units and Reversionary interest of 3 strata office units, No. 20 Collyer Quay, Singapore</p> <p>The property is located at Collyer Quay within the Central Business District of Singapore.</p>	<p>The subject building is a 24-storey office building with 3 basement car parking levels. There are a total of 106 car parking lots within the building.</p> <p>The building was completed in 1985 and major upgrading works were carried out in 2009, as well as between 2013 and 2016.</p> <p>The total strata area of the 31 strata units is 23,248 sqm.</p>	<p>Some 94.1% out of the 21 strata office units have been leased to various tenants for office use at a total monthly rent of S\$1,141,331.</p> <p>We have valued the reversionary interests on vacant possession basis.</p>	<p><b>HK\$2,790,700,000</b> (S\$484,000,000 SINGAPORE DOLLARS FOUR HUNDRED EIGHTY-FOUR MILLION)</p> <p>65.2% interests attributable to the Company: <b>HK\$1,819,536,400</b></p>
	<p><b>Gross Floor Area (sqm)</b></p>			
	<p>Leasehold interests of 21 strata office units</p>	<p>13,211</p>		
	<p>Reversionary interests of 7 strata units</p>	<p>7,328</p>		
	<p>Reversionary interests of 3 strata units</p>	<p><u>2,709</u></p>		
	<p><b>Total</b></p>	<p><b><u>23,248</u></b></p>		
	<p>The tenure of the 21 strata units is leasehold for a term of 999 years commencing on 5 November 1862.</p>			
	<p>For the 7 strata office units, the leasehold interest is for a term of 50 years commencing on 29 January 1985. The reversionary estate has leasehold term of 999 years commencing on 5 November 1862.</p>			
	<p>For the 3 strata office units, the leasehold interest is for a term of 99 years commencing on 1 March 1985. The reversionary estate has leasehold term of 999 years commencing on 5 November 1862.</p>			

*Notes:*

- a) According to the records of Singapore Land Authority, the 21 strata units comprise #B1-02, #01-02, 02-02, #06-01, #08-02, #09-01, #09-02, #09-03, #09-04, #10-01, #10-02, #10-03, #10-04, #10-05, #11-01, #11-02, #11-03, #11-04, #11-05, #12-01, #12-02, #12-03, #12-04, #12-05, #13-01, #13-02, #13-03, #13-04, #14-01, #14-02, #14-03, #14-04, #15-00, #16-00, #17-00, #18-00, #19-00, #20-00 and #21-00. They are legally known as Strata Lots U285X, U291M, U264T, U265A, U266K, U267N, U268X, U269L, U270N, U271X, U272L, U273C, U275W, U276V, U277P, U278T, U279A, U280P, U281T, U282A and U283K of Town Subdivision 21 respectively with strata areas of 1,635 sqm, 121 sqm, 294 sqm, 899 sqm, 529 sqm, 254 sqm, 529 sqm, 254 sqm, 529 sqm, 254 sqm, 529 sqm, 254 sqm, 583 sqm, 254 sqm, 899 sqm, 899 sqm, 899 sqm, 899 sqm, 899 sqm and 899 sqm respectively with a total strata area of 13,211 sqm. The tenure of the 21 strata units is leasehold for a term of 999 years commencing on 5 November 1862 and the registered owner is First Capital Land Pte. Ltd.
- b) As informed by the Group, the registered owner, now renamed as “GLL Land Pte. Ltd.”, is a subsidiary of the Company. The subsidiary is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) According to the records of Singapore Land Authority, the 7 strata units comprise part of 1st basement to 6th storey (lift well and lift motor room), #B1-01, #01-01, #02-01, #03-00, #04-00, #05-00, #07-00 and #08-01. They are legally known as Strata Lots U263P, U274M, U288M, U289W, U290C, U292W and U293V of Town Subdivision 21 respectively with a total strata area of 7,328 sqm. The registered owner of the leasehold interest for a term of 50 years commencing on 29 January 1985 is Banque Nationale De Paris (now known as BNP Paribas). The reversionary estate which has leasehold term of 999 years commencing on 5 November 1862 is held by First Capital Land Pte. Ltd.
- d) According to the records of Singapore Land Authority, the 3 strata units comprise #22-00, #23-00 and #24-00. They are legally known as Strata Lots U284N, U286L and U287C of Town Subdivision 21 respectively with a total strata area of 2,709 sqm. The registered owner of the leasehold interest for a term of 99 years commencing on 1 March 1985 is Awin Resource International Pte. Ltd. Strata Lots U284N, U286L and U287C of Town Subdivision 21 are mortgaged to The Bank Of East Asia Limited. The reversionary estate which has leasehold term of 999 years commencing on 5 November 1862 is held by GLL Land Pte. Ltd.
- e) The 3 strata units known as #22-00, #23-00 and #24-00 with total strata area of 2,709 sqm and leasehold interest for a term of 99 years commencing on 1 March 1985 was sold by Dresdner Bank Aktiengesellschaft to Awin Resource International Pte. Ltd. at a consideration of S\$63,566,620 on 30 April 2012.
- f) The property lies within an area zoned as “Commercial” with a plot ratio of 12.6+ under the Singapore Master Plan 2014.
- g) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- h) A site inspection to the exterior and certain common parts was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
D1.2 Guoco Tower and Retail Portions of Tanjong Pagar Centre, Nos. 1, 5 & 7 Wallich Street, Singapore	<p>Tanjong Pagar Centre is a large-scale integrated development, which Property Nos. D3.1 and D2.1 also form part.</p> <p>Tanjong Pagar Centre comprises a 6-storey and 3 basement-level podium for retail, hotel facilities and car park use. Sitting atop the podium is a 14-storey high hotel block (Property No. D2.1) and a part 32/part 58-storey high office (known as Guoco Tower) cum residential block (known as Wallich Residence at Tanjong Pagar Centre). For the latter block, the office units occupy the first 31 storeys and above the office floors are a floor of M&amp;E services and 26 storeys of residential apartments.</p> <p>The subject portions have obtained the Temporary Occupation Permit (TOP) in September 2016.</p> <p>The total Gross Floor Area of the office and retail portions is 109,038.2 sqm.</p>	<p>Some 98.8% of the office net lettable area have been leased to various tenants for terms of 3 or 5 years at an average gross rent of S\$9.1 per sqft per month.</p> <p>Some 51.6% of the retail lettable area have been leased to various tenants for terms of 3 years in general. The average gross rent is S\$14.5 per sqft per month.</p>	<p><b>HK\$13,780,400,000</b> (S\$2,390,000,000 (SINGAPORE DOLLARS TWO BILLION THREE HUNDRED NINETY MILLION)</p> <p>52.2% interests attributable to the Company: <b>HK\$7,193,368,800</b></p>
	<p><b>Gross Floor Area (sqm)</b></p>		
	Office	94,833.0	
	Retail	14,205.2	
	<b>Total</b>	<b>109,038.2</b>	
	<p>The tenure of the site is leasehold for a term of 99 years commencing on 21 February 2011.</p>		

*Notes:*

- a) According to the records of Singapore Land Authority, Tanjong Pagar Centre is legally known as Lot 876K of Town Subdivision 3 containing a land area of 15,022.6 sqm, excluding Subterranean Lots TS3-80000X, TS3-80003M and TS3-80002C. The tenure of Tanjong Pagar Centre is leasehold for a term of 99 years commencing from 21 February 2011 and the registered owners are Belmeth Pte. Ltd., Guston Pte. Ltd. and Perfect Eagle Pte. Ltd., in the proportions of 6,089, 1,033 and 2,878 shares respectively, out of a total of 10,000 shares.
- b) As informed by the Group, the registered owners, now renamed as “TPC Commercial Pte. Ltd.” and “Wallich Residence Pte. Ltd.”, are subsidiaries of the Company. The two subsidiaries are indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 52.2% attributable interest.
- c) Tanjong Pagar Centre is mortgaged to United Overseas Bank Limited.
- d) The property lies within an area zoned as “White Site” with a plot ratio of 8.4+ under the Singapore Master Plan 2008. However, based on URA’s Tender Document, the maximum permissible gross floor area for the site is 157,738 sqm, reflecting a permissible plot ratio of 10.5.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- f) An inspection to the exterior and certain common parts of the building was carried out by Mr. Leo Wong, BSc (Est Mgt) in July 2018.



## GROUP D2 – Property interests held by the Group for Occupation/Operation in Singapore

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
D2.1 Sofitel Singapore City Centre, No. 9 Wallich Street, Singapore	The subject property is a 5-star hotel with 223 rooms, a western restaurant, a coffee shop, a lounge, conference and meeting facilities as well as recreational facilities like swimming pool and a gymnasium.	The subject property is currently managed by Accor S.A., and operates under the Sofitel brand for a term of 15 years.	<b>HK\$2,121,800,000</b> (S\$368,000,000 SINGAPORE DOLLARS THREE HUNDRED SIXTY EIGHT MILLION)
The property is bounded by Wallich Street, Choon Guan Street and Peck Seah Street. It is within the Central Business District of Singapore.	Opened in October 2017, it is the hotel component of a large-scale integrated development Tanjong Pagar Centre, which Property Nos. D1.2 and D3.1 also form part. While the hotel lobby is on the 5th storey, the hotel rooms are located on the 7th to 20th storeys of the building.		52.2% interests attributable to the Company: <b>HK\$1,107,579,600</b>

*Notes:*

- a) According to the records of Singapore Land Authority, Tanjong Pagar Centre is legally known as Lot 876K of Town Subdivision 3 containing a land area of 15,022.6 sqm, excluding Subterranean Lots TS3-80000X, TS3-80003M and TS3-80002C. The tenure of Tanjong Pagar Centre is leasehold for a term of 99 years commencing from 21 February 2011 and the registered owners are Belmeth Pte. Ltd., Guston Pte. Ltd. and Perfect Eagle Pte. Ltd., in the proportions of 6,089, 1,033 and 2,878 shares respectively, out of a total of 10,000 shares.
- b) As informed by the Group, the registered owners, now renamed as “TPC Commercial Pte. Ltd.” and “Wallich Residence Pte. Ltd.”, are subsidiaries of the Company. The two subsidiaries are indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 52.2% attributable interest.
- c) Tanjong Pagar Centre is mortgaged to United Overseas Bank Limited.
- d) The property lies within an area zoned as “White Site” with a plot ratio of 8.4+ under the Singapore Master Plan 2008. However, based on URA’s Tender Document, the maximum permissible gross floor area for the site is 157,738 sqm, reflecting a permissible plot ratio of 10.5.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- f) An internal site inspection was carried out by Mr. Leo Wong, MSc (Est Mgt) in August 2018.

## GROUP D3 – Property interests held by the Group for Sale in Singapore

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
<p>D3.1 138 unsold units at Wallich Residence at Tanjong Pagar Centre, No. 3 Wallich Street, Singapore</p> <p>The property is bounded by Wallich Street, Choon Guan Street and Peck Seah Street. It is within the Central Business District of Singapore.</p>	<p>Tanjong Pagar Centre is a large-scale integrated development, which Property Nos. D1.2 and D2.1 also form part.</p> <p>Tanjong Pagar Centre comprises a 6-storey and 3 basement-level podium for retail, hotel facilities and car park use. Sitting atop the podium is a 14-storey high hotel block (Property No. D2.1) and a part 32/part 58-storey high office (known as Guoco Tower) cum residential block (known as Wallich Residence at Tanjong Pagar Centre). For the latter block, the office units occupy the first 31 storeys and above the office floors are a floor of M&amp;E services and 26 storeys of residential apartments.</p> <p>The subject property consists of 134 residential units out of 181 units in the development. The subject portion has obtained the Temporary Occupation Permit (TOP) in August 2017.</p> <p>The total strata area of the 138 unsold units is 19,219 sqm.</p> <p>The tenure of the site is leasehold for a term of 99 years commencing on 21 February 2011.</p>	<p>None registered and we were instructed to assess the property on a vacant possession basis.</p> <p>At the Date of Valuation, four of the subject apartments were contracted to be sold at a total consideration of S\$12.4 million. Our valuation has taken the full amount of the consideration into account.</p>	<p><b>HK\$3,580,600,000</b> (S\$621,000,000 SINGAPORE DOLLARS SIX HUNDRED TWENTY-ONE MILLION)</p> <p>52.2% interests attributable to the Company: <b>HK\$1,869,073,200</b></p>

*Notes:*

- a) According to the records of Singapore Land Authority, Tanjong Pagar Centre is legally known as Lot 876K of Town Subdivision 3 containing a land area of 15,022.6 sqm, excluding Subterranean Lots TS3-80000X, TS3-80003M and TS3-80002C. The tenure of the Tanjong Pagar Centre is leasehold for a term of 99 years commencing from 21 February 2011 and the registered owners are Belmeth Pte. Ltd., Guston Pte. Ltd. and Perfect Eagle Pte. Ltd., in the proportions of 6,089, 1,033 and 2,878 shares respectively, out of a total of 10,000 shares.
- b) As informed by the Group, the registered owners, now renamed as “TPC Commercial Pte. Ltd.” and “Wallich Residence Pte. Ltd.”, are subsidiaries of the Company. The two subsidiaries are indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 52.2% attributable interest.
- c) Tanjong Pagar Centre is mortgaged to United Overseas Bank Limited.
- d) As at the Date of Valuation, four of the subject apartments were contracted to be sold at a total consideration of S\$12.4 million. Our valuation has taken the full amount of the consideration into account.
- e) The property lies within an area zoned as “White Site” with a plot ratio of 8.4+ under the Singapore Master Plan 2008. However, based on URA’s Tender Document, the maximum permissible gross floor area for the site is 157,738 sqm, reflecting a permissible plot ratio of 10.5.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- g) An internal site inspection was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
D3.2 18 unsold apartment units and 6 unsold shop units at Sims Urban Oasis, Nos. 6/8/16 Sims Drive, Singapore  The property is located along Sims Drive, approximately 5.5 km from the city centre at Raffles Place. The immediate locality generally comprises industrial buildings and Housing Development Board (HDB) flats. The Aljunied MRT Station is also located nearby.	Completed in 2017, The subject development comprises a condominium development with a total of 1,024 units of apartments/penthouses of various designs and sizes in eight 15/18/19-storey blocks with shops and a childcare centre.  Recreation facilities provided include clubhouse with gymnasium, function room, swimming and spa pools, BBQ and social pavilions, children's playground, outdoor fitness, tennis court, etc.  Each apartment is equipped with a telephony system. In addition, basement, open and multi-storey carparking lots is also provided within the compound.	We were instructed to assess the property on a vacant possession basis.  At the Date of Valuation, five of the subject apartments were contracted to be sold at a total consideration of S\$9.5 million. This valuation has taken the full amount of the consideration into account.	<b>HK\$262,900,000</b> (S\$45,600,000 SINGAPORE DOLLARS FORTY FIVE MILLION SIX HUNDRED THOUSAND  65.2% interests attributable to the Company: <b>HK\$171,410,800</b>
<b>Total Strata Area (sqm)</b>			
	Unsold Residential apartments	2,641	
	Unsold shops	269	
	<b>Total</b>	<b>2,910</b>	
	The tenure of the site is leasehold for a term of 99 years commencing on 29 July 2014.		

**Notes:**

- a) According to the records of Singapore Land Authority, the Sims Urban Oasis is legally known as Lot 10713L of Mukim 24 containing a land area of 23,900.1 sqm. The tenure of the Sims Urban Oasis is leasehold for a term of 99 years commencing from 29 July 2014 and the registered owner is Sims Urban Oasis Pte. Ltd.
- b) As informed by the Group, the registered owner, Sims Urban Oasis Pte Ltd is subsidiary of the Company. The subsidiary is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) As at the Date of Valuation, five of the subject apartments were contracted to be sold at a total consideration of S\$9.5 million. Our valuation has taken the full amount of the consideration into account.
- d) The property lies within an area zoned as "Residential" with a plot ratio of 3.0 under the Singapore Master Plan 2014.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- f) An internal site inspection was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
D3.3 24 apartments, Leedon Residence, Lots 2219N, 2220A, 2222N, 2228V, 2229P, 2464L and 70000W of Mukim 2, Leedon Heights, Singapore  The property is located along Leedon Heights, off Farrer Road. It is within District 10, an exclusive residential district of Singapore.	Completed in 2015, Leedon Residence is a residential condominium development which comprises eleven 12-storey blocks (total 381 units) with a basement car park, swimming pool and communal facilities.  The subject comprises 24 residential units with a total strata area of 6,348 sqm.  The tenure of the site is Estate in Fee Simple.	All the subject units have been contracted to be sold. Our valuation represents the aggregate contracted prices of the 24 units.	<b>HK\$574,300,000</b> (S\$99,600,000 SINGAPORE DOLLARS NINETY-NINE MILLION SIX HUNDRED THOUSAND  65.2% interests attributable to the Company: <b>HK\$374,443,600</b>

**Notes:**

- a) According to the records of Singapore Land Authority, the registered owner of Lots 2219N, 2220A, 2222N, 2228V, 2229P and 2464L of Mukim 2 with site areas of 44,214.8 sqm, 504.1 sqm, 1,413.6 sqm, 1,483.3 sqm, 741.2 sqm and 168.3 sqm respectively is Rivaldo Investments Pte. Ltd, now renamed as "Leedon Residence Development Pte. Ltd.". The registered owner of Airspace Lot 70000W of Mukim 2 with area of 56 sqm is Leedon Residence Development Pte. Ltd.
- b) As informed by the Group, the registered owner is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) Our valuation above represents the aggregate contracted prices of the 24 units.
- d) An external site inspection was carried out by Mr Ross Wang, BA (Hons) in August 2018.

## GROUP D4 – Property interests held by the Group Under Development in Singapore

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018								
<p>D4.1 Retail and Office Portions of URA Land Parcel at Beach Road/ Nicoll Highway, Singapore</p> <p>The property is a development site located along south-eastern side of Beach Road, between Rochor Road and Middle Road, inside the ERP traffic restricted zone of the Central Business District and is approximately 1.5 km from the City Centre.</p>	<p>The subject site has a fairly regular configuration with a site area of 22,201.9 sqm.</p> <p>The proposed mixed-use development comprising 1 block of 30-storey office tower with multi-storey carpark, retail and underground pedestrian interchange, additions and alterations to existing 3-storey conservation building, 1 block of 33-storey residential flats (total 219 units) with a multi-storey carpark &amp; subterranean connection across Beach Road.</p> <p>Upon completion, the retail and office components will contain a total gross floor area of 74,854.74 sqm with the following breakdown:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>Gross Floor Area (sqm)</b></th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Retail</td> <td style="text-align: right;">3,000.00</td> </tr> <tr> <td style="text-align: left;">Office</td> <td style="text-align: right;">71,854.74</td> </tr> <tr> <td style="text-align: left;"><b>Total</b></td> <td style="text-align: right;"><b><u>74,854.74</u></b></td> </tr> </tbody> </table>	<b>Gross Floor Area (sqm)</b>		Retail	3,000.00	Office	71,854.74	<b>Total</b>	<b><u>74,854.74</u></b>	<p>The property was under construction during our inspection.</p>	<p><b>HK\$8,129,900,000</b> (S\$1,410,000,000 SINGAPORE DOLLARS ONE BILLION FOUR HUNDRED TEN MILLION)</p> <p>45.7% interests attributable to the Company: <b>HK\$3,715,364,300</b></p>
<b>Gross Floor Area (sqm)</b>											
Retail	3,000.00										
Office	71,854.74										
<b>Total</b>	<b><u>74,854.74</u></b>										
	<p>The tenure of the site is leasehold for a term of 99 years commencing on 3 October 2017.</p>										

*Notes:*

- a) The subject site was purchased through the Government Land Sales program by Urban Redevelopment Authority (“URA”). The site was awarded to Belmeth Pte. Ltd. Guston Pte. Ltd. and Perfect Eagle Pte. Ltd. on 22 November 2010.
- b) According to the records of Singapore Land Authority, the site area of Lot 1037P of Town Subdivision 12 is 22,201.9 sqm and the registered owners are GLL Thrive Pte. Ltd. and GLL Prosper Pte. Ltd.
- c) As informed by the Group, the registered owners are subsidiaries of the Company. The two subsidiaries are indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 45.7% attributable interest.
- d) According to the records of Singapore Land Authority, Lot 876K of Town Subdivision 3 is mortgaged to United Overseas Bank Limited.
- e) We are of the opinion that the gross development value of the retail and office portions in the proposed development as at 31 July 2018, assuming it were just completed, was in the sum of S\$2,160 million.
- f) As provided by the Group, the estimated outstanding construction cost and the construction costs incurred up to 31 July 2018 were in the sums of approximately S\$280 million and S\$70.5 million respectively.
- g) The property lies within an area zoned as “Commercial” with a gross plot ratio 4.2. However, based on the URA’s tender document, the maximum permissible Gross Floor Area is 88,313 sqm, reflecting a permissible plot ratio of 10.5.
- h) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- i) An external site inspection was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
D4.2 Residential Portion of URA Land Parcel at Beach Road/Nicoll Highway, Singapore	<p>The subject site has a fairly regular configuration with a site area of 22,201.9 sqm.</p> <p>The whole proposed mixed-use development comprising 1 block of 30-storey office tower with multi-storey carpark, retail and underground pedestrian interchange, additions and alterations to existing 3-storey conservation building, 1 block of 33-storey residential flats (total 219 units) with a multi-storey carpark &amp; subterranean connection across Beach Road.</p> <p>Upon completion, the subject residential component will contain a total gross floor area of 13,794.95 sqm. There will be 219 units.</p> <p>The tenure of the site is leasehold for a term of 99 years commencing on 3 October 2017.</p>	The residential portion was at the initial stage of construction during our inspection.	<p><b>HK\$1,412,600,000</b> (S\$245,000,000 SINGAPORE DOLLARS TWO HUNDRED FORTY-FIVE MILLION)</p> <p>75.7% interests attributable to the Company: <b>HK\$1,069,338,200</b></p>

**Notes:**

- a) The subject site was purchased through the Government Land Sales program by Urban Redevelopment Authority (“URA”). The site was awarded to Belmeth Pte. Ltd. Guston Pte. Ltd. and Perfect Eagle Pte. Ltd. on 22 November 2010.
- b) According to the records of Singapore Land Authority, the site area of Lot 1037P of Town Subdivision 12 is 22,201.9 sqm and the registered owners are GLL Thrive Pte. Ltd. and GLL Prosper Pte. Ltd.
- c) As informed by the Group, the registered owners, GLL Thrive Pte. Ltd. and GLL Prosper Pte. Ltd. are subsidiaries of the Company. The two subsidiaries are indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 75.7% attributable interest.
- d) According to the records of Singapore Land Authority, Lot 876K of Town Subdivision 3 is mortgaged to United Overseas Bank Limited.
- e) As at 31 July 2018, the project has not yet been launched for sale.
- f) We are of the opinion that the gross development value of the residential portion of the proposed development as at 31 July 2018, assuming it were just completed, was in the sum of S\$412 million.
- g) As provided by the Group, the estimated construction cost was in the sum of approximately S\$51.5 million.
- h) The property lies within an area zoned as “Commercial” with a gross plot ratio of 4.2. However, based on the URA’s tender document, the maximum permissible Gross Floor Area is 88,313 sqm, reflecting a permissible plot ratio of 10.5.
- i) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- j) An external site inspection was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.



## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
D4.3 Martin Modern, Nos. 8 & 10 Martin Place, Singapore	The subject development will comprise a total of 450 units of apartments/penthouses of various designs, layouts and sizes to be housed in two 30-storey blocks.	The subject development is currently under construction.	<b>HK\$4,168,700,000</b> S\$723,000,000 SINGAPORE DOLLARS SEVEN HUNDRED TWENTY-THREE MILLION
The property is located along Martin Place, approximately 2.4 km from the city centre at Raffles Place. The immediate locality generally comprises apartment/condominium developments.	Facilities in the estate will include clubhouse with gymnasium, function room and male & female changing rooms; swimming pool, BBQ pavilions, pool pavilion and children's playground.	266 out of 450 apartments have been pre-sold.	65.2% interests attributable to the Company: <b>HK\$2,717,992,400</b>
	The total strata area of all the apartment units will be 44,261 sqm in total.		
	The tenure of the site is leasehold for a term of 99 years commencing on 28 September 2016. The subject property is expected to be completed by 31 December 2021.		

**Notes:**

- a) According to the records of Singapore Land Authority, the Martin Modern is legally known as Lot 1590P of Town Subdivision 21 containing a land area of 15,936.1 sqm. The tenure of the Martin Modern is leasehold for a term of 99 years commencing from 28 September 2016 and the registered owners is Martin Modern Pte. Ltd., which, as informed by the Group, is a subsidiary indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- b) As at the Date of Valuation, 266 of the apartments were pre-sold at a total consideration of S\$659.3 million.
- c) We are of the opinion that the gross development value of the proposed development as at 31 July 2018, assuming it were just completed, was in the sum of S\$1,148 million, which included the pre-sold units mentioned above.
- d) As provided by the Group, the total estimated outstanding construction cost and the construction costs incurred up to 31 July 2018 were in the sums of approximately S\$177.7 million and S\$18.9 million respectively.
- e) The property lies within an area zoned as "Residential" with a plot ratio of 2.8 under the Singapore Master Plan 2014.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- g) An external site inspection was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.

## GROUP D5 - Property interests held by the Group for Future Development in Singapore

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018
<p>D5.1 Reversionary interest of Lots 99951A, 99952K and 99953N of Town Subdivision 30, No. 61 Robinson Road, Singapore</p> <p>The property is located along Robinson Road within the Central Business District of Singapore.</p>	<p>The total site area of Lots 99951A, 99952K and 99953N of Town Subdivision 30 is 602.2 sqm.</p> <p>Currently standing on the subject site and Lot 152T of Town Subdivision is a 20-storey commercial development known as Robinson Centre with a combined site area of 1,405.2 sqm. Lot 152T, however, does not form part of this valuation.</p>	<p>Various units in Robinson Centre is predominantly leased to various tenants for office use.</p>	<p><b>HK\$60,000,000</b> (S\$10,400,000 SINGAPORE DOLLARS TEN MILLION AND FOUR HUNDRED THOUSAND)</p> <p>65.2% interests attributable to the Company: <b>HK\$39,120,000</b></p>
	<p>It was reported in the press that the leasehold interest for Robinson Centre was sold in October 2011. Our valuation concerns the reversionary interests of the subject site that go beyond the existing leasehold interest of 98 years commencing on 19 March 1998.</p>		
	<p>We have therefore ignored the value of the existing building and site improvements, but valued the property as a vacant land parcel.</p>		

*Notes:*

- a) According to the records of Singapore Land Authority, the existing building is erected on Lots 152T, 99951A, 99952K and 99953N of Town Subdivision 30 with site areas of 803 sqm, 200.7 sqm, 200.7 sqm and 200.8 sqm respectively, totaling 1,405.2 sqm.
- b) According to the records of Singapore Land Authority, the tenure of Lot 152T of Town Subdivision 30 is leasehold for a term of 99 years commencing on 19 March 1997 and the registered owner is Robson (CP) Investment Private Limited. Lot 152T of Town Subdivision 30 is mortgaged to United Overseas Bank Limited. Lot 152T of Town Subdivision 30 does not form part of this valuation.
- c) According to the records of Singapore Land Authority, the leasehold interest for a term of 98 years commencing on 19 March 1998 for Lots 99951A, 99952K and 99953N of Town Subdivision 30 is held by Robson (CP) Investment Private Limited. Lots 99951A, 99952K and 99953N of Town Subdivision 30 are mortgaged to United Overseas Bank Limited. The reversionary estate which is of freehold tenure is held Robinson Reversionary Co., Pte. Ltd. (formerly known as Da Zhong Investment Pte. Ltd.).
- d) As informed by the Group, Da Zhong Investment Pte. Ltd. is now renamed as “Robinson Reversionary Co., Pte. Ltd.”. Robinson Reversionary Co., Pte. Ltd. is a subsidiary of the Company and is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- e) The property lies within an area zoned as “Commercial” with a plot ratio of 11.2+ under the Singapore Master Plan 2014.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- g) An external site inspection was carried out by Mr. Leo Wong, BSc (Est Mgt) in August 2018.

## GROUP D6 – Property interests to be acquired by the Group for Future Development in Singapore

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
D6.1	Casa Meyfort Condominium, No. 79 Meyer Road, Singapore  The property is located in East Coast/Marine Parade with close proximity to the future Katong Park MRT and future Amber MRT Stations.	The property consists a land with a site area of 7,919.9 sqm.  Currently standing on the subject site is a 20-storey residential development known as Casa Meyfort Condominium completed in 1990s with 76 units.  The property is freehold interest.	As informed, the existing residents will move out the building in 6 months upon completion of the acquisition.  The property is planned to be redeveloped into condominium building(s).	No commercial value

*Notes:*

- a) According to the records of Singapore Land Authority, the existing building is erected on Lot 4881V of Mukim 25 with a site area of 7,919.9 sqm.
- b) Casa Meyfort Condominium is currently held by various individual owners.
- c) As informed by the Group, First Meyer Development Pte. Ltd., an indirectly wholly-owned subsidiary of the Company, has successfully tendered for the acquisition of the property in July 2018.
- d) The property lies within an area zoned as “Residential” with a plot ratio of 2.8 under the Singapore Master Plan 2014. The maximum allowable gross floor area is approximately 22,175.7 sqm. The maximum allowable gross floor area plus 10% bonus balcony is approximately 24,393.3 sqm.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 17%.
- f) No commercial value was adopted as the Group has not fully paid the consideration under the sale and purchase agreement.
- g) Should the Group obtain a 100% interest to the property, the value to the Group will be in the region of S\$299,000,000.
- h) An external site inspection was carried out by Mr. Ross Wang, BA (Hons) in August 2018.

## GROUP E1 – Property interests held by the Group for Investment in Vietnam

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market Value as at 31 July 2018						
E1.1	<p>Office and retail building – (Canary Plaza), a portion of Phase I, GuocoLand Complex Project, Lot No. 42 National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam</p> <p>The property is located nearby VSIP Industrial Park, in close proximity to Song Be Golf Course, Aeon Mall Binh Duong Canary, approximately 30km radially south west of Tan Son Nhat International Airport, approximately 17km radially south of CBD of Ho Chi Minh City, where it can be easily accessed by National Highway 13.</p>	<p>GuocoLand Complex Project is a large scale mixed residential/ office/ commercial/ school project developing in phases.</p> <p>The Canary Plaza was completed in May 2012. The subject property consists of a 3-storey office and retail block and an ancillary building in Phase I of the development.</p> <p>The gross floor area of the subject office and retail building is approximately 3,192 sqm, plus 144.43 sqm of the ancillary building. As per information provided by the Group, the total net leasable area of the Canary Plaza is 2,885 sqm.</p>	<p>Some 44.5% of the spaces has been occupied, of which 212 sqm had been leased in early August 2018 with a lease term of 2 years. Other units were occupied by Hong Leong Bank, etc.</p> <p>The total income derived was over VND350 million per month including rent and management fee. The subject rent rate is at bare shell status.</p>	<p><b>HK\$22,300,000</b> (VND66,300,000,000 SIXTY-SIX BILLION THREE HUNDRED MILLION VIETNAMESE DONG)</p> <p>65.2% interests attributable to the Company: <b>HK\$14,539,600</b></p>					
		<p><b>Gross Floor Area (sqm)</b></p> <table border="0"> <tr> <td>Office and Retail</td> <td style="text-align: right;">3,192.00</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">144.43</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>3,336.43</u></b></td> </tr> </table>	Office and Retail	3,192.00	Ancillary	144.43	<b>Total</b>	<b><u>3,336.43</u></b>	
Office and Retail	3,192.00								
Ancillary	144.43								
<b>Total</b>	<b><u>3,336.43</u></b>								
		<p>The land use rights of the site are held for a term to be expired on 22 September 2056 in respect of which a lump sum land rent payment has been paid to the government.</p>							

*Notes:*

- a) According to the Land Use Rights Certificate, House Ownership and Assets Attached to the Land No. BK033609 dated 18 December 2012, the land use rights of the relevant site were granted to Cong Ty TNHH Bat Dong San GuocoLand Binh Duong for office uses for a term to be expired on 22 September 2056, and original land use is leased land with the land rental payment paid in one lump-sum for the entire land use duration. The ownership right of the Canary Plaza (including the office and retail building and the ancillary building) with a total gross floor area of approximately 3,336.43 sqm was granted to Cong Ty TNHH Bat Dong San GuocoLand Binh Duong.
- b) As informed, GuocoLand Binh Duong Property Co., Ltd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.
- c) We have been provided with a legal opinion on the property prepared by the Group's Vietnam legal advisor, NTK Consulting Firm dated 1 October 2018, which contains, inter alia, the following information:
- (i) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to use the total land area of 9,846 sqm in GuocoLand Complex, Binh Hoa Ward, Thuan An Town, Binh Duong Province;
  - (ii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to invest, construct, operate, lease and sell (in accordance with Vietnamese Laws from time to time) commercial buildings and a residential complex (including high rise apartment building, hotel tower, office buildings, commercial center, educational training - research facilities, hospital, clinics, sport complex, parking area and other business space) together with completed and uniform infrastructure facilities on a land of 98,130.2 sqm, which the subject land forms part, in Binh Duong Boulevard, Binh Hoa Ward, Thuan An Town, Binh Duong Province and provide other related services;
  - (iii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has fully paid the lump-sum land rental for the entire Land Use Duration with respect to each of the Land Lots; and
  - (iv) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to deal with land and infrastructure within the project site (including the transferring and subleasing of developed land areas) during the duration of the project.
- d) In our valuation, we have made the following assumptions: the inspection for this valuation was conducted prior to the Date of Valuation. We have assumed that no material change to the subject property has occurred between the dates of inspection and valuation. The calculation is exclusive of VAT and related tax.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 20%.
- f) An internal inspection was carried out in July 2018 by Mr. Pham Thanh Duong, LL.B, MBA, MRICS No. 6034702 and the Certified Practising Valuer (MoF) No.VI10.349 issued by Vietnam Ministry of Finance, and Ms. Ngo Doan Thu Thao – Assistant Valuer, from DCF Vietnam Corporation.

## GROUP E2 – Property interests held by the Group for Sale in Vietnam

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
E2.1	113 Unsold Apartment Units, Phase II of GuocoLand Complex Project, National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	GuocoLand Complex Project is a large scale mixed residential/ office/ commercial/school project developing in phases.  Completed in 2013, the subject property consists of 113 units in three 16 to 17-storey apartment blocks.  As advised, the total sellable area of 113 unsold units is approximately 11,257 sqm.	As informed, the property was vacant.	<b>HK\$68,400,000</b> (VND203,000,000,000 TWO HUNDRED AND THREE BILLION VIETNAMESE DONG)  65.2% interests attributable to the Company: <b>HK\$44,596,800</b>
	The property is located nearby VSIP Industrial Park, in close proximity to Song Be Golf Course, Aeon Mall Binh Duong Canary, approximately 30km radially south west of Tan Son Nhat International Airport, approximately 17km radially south of CBD of Ho Chi Minh City, where it can be easily accessed by National Highway 13.	The land use rights of the site are held for a term to be expired on 22 September 2076 in respect of which a lump sum land rent payment has been paid to the government.		

**Notes:**

- a) According to the Land Use Rights Certificate No. AM565263 dated 14 July 2008, amendments dated 11 August 2008, 20 January 2009 and 28 August 2012, the land use rights of the site with a total site area of approximately 11,880.5 sqm were granted to Cong Ty TNHH Bat Dong San GuocoLand Binh Duong for urban residential land use for a term to be expired on 22 September 2076, and original land use is leased land with the land rental payment paid in one lump-sum for the entire land use duration.
- b) As informed, GuocoLand Binh Duong Property Co., Ltd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.

- c) We have been provided with a legal opinion on the property prepared by the Group's Vietnam legal advisor, NTK Consulting Firm dated 1 October 2018, which contains, inter alia, the following information:
- (i) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to use the Land totaling 11,880.5 sqm in GuocoLand Complex, Binh Hoa Ward, Thuan An Town, Binh Duong Province;
  - (ii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to invest, construct, operate, lease and sell (in accordance with Vietnamese Laws from time to time) commercial buildings and a residential complex (including high rise apartment building, hotel tower, office buildings, commercial center, educational training - research facilities, hospital, clinics, sport complex, parking area and other business space) together with completed and uniform infrastructure facilities on the land of 98,130.2 sqm, which the subject land forms part, in Binh Duong Boulevard, Binh Hoa Ward, Thuan An Town, Binh Duong Province and provide other related services;
  - (iii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has fully paid the lump-sum land rental for the entire Land Use Duration with respect to each of the Land Lots;
  - (iv) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to deal with land and infrastructure within the project site (including the transferring and subleasing of developed land areas) during the duration of the project; and
  - (v) Ownership certificate to individual unit will be only applied when the unit has been sold and handed over to the purchaser.
- d) In our valuation, we have made the following assumption: the inspection for this valuation was conducted prior to the Date of Valuation. We have assumed that no material change to the subject property has occurred between the dates of inspection and valuation.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 20%.
- f) An internal inspection for some of the units was carried out in July 2018 by Mr. Pham Thanh Duong, LL.B, MBA, MRICS No. 6034702 and the Certified Practising Valuer (MoF) No. V110.349 issued by Vietnam Ministry of Finance, and Ms. Ngo Doan Thu Thao – Assistant Valuer, from DCF Vietnam Corporation.



## GROUP E3 – Property interests held by the Group for Future Development in Vietnam

## VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
E3.1	Residential Development, Phases III and IV of GuocoLand Complex Project, Lots No. 160, 161 National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	<p>The subject site consists of two land plots, namely Nos. 160 and 161, Map E2 with a total site area of approximately 28,100.1 sqm.</p> <p>GuocoLand Complex Project is a large scale mixed residential/ office/ commercial/ project developing in phases, which Property E2.1 is the former phases of residential development. The subject property is the land for Phases III and IV development.</p> <p>Upon completion, the Phases III and IV will comprise approximately a total above ground residential gross floor area of 75,000 sqm.</p> <p>The land use rights of the residential Phases III and IV are held for a term to be expired on 22 September 2076.</p>	The subject site was vacant upon our inspection.	<p><b>HK\$110,600,000</b> (VND328,000,000,000 THREE HUNDRED TWENTY-EIGHT BILLION VIETNAMESE DONG)</p> <p>65.2% interests attributable to the Company: <b>HK\$72,111,200</b></p>
	<p>The property is located nearby VSIP Industrial Park, in close proximity to Song Be Golf Course, Aeon Mall Binh Duong Canary, approximately 30km radially south west of Tan Son Nhat International Airport, approximately 17km radially south of CBD of Ho Chi Minh City, where it can be easily accessed by National Highway 13.</p>			

*Notes:*

- a) According to the Land Use Rights Certificates Nos. AM565259 and AM565262 dated 14 July 2008, amendments dated 11 August 2008, 20 January 2009 and 28 August 2012, the land use rights of the residential land Phases III and IV with a total site area of approximately 28,100.1 sqm were granted to Cong Ty TNHH Bat Dong San GuocoLand Binh Duong for urban residential uses for a term to be expired on 22 September 2076, and original land use is leased land with the land rental payment paid in one lump-sum for the entire land use duration.
- b) As informed, GuocoLand Binh Duong Property Co., Ltd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.

- c) We have been provided with a legal opinion on the property prepared by the Group's Vietnam legal advisor, NTK Consulting Firm dated 1 October 2018, which contains, inter alia, the following information:
- (i) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to use the two pieces of land with a total land area of 28,100.1 sqm in Binh Hoa Ward, Thuan An Town, Binh Duong Province;
  - (ii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to invest, construct, operate, lease and sell (in accordance with Vietnamese Laws from time to time) commercial buildings and a residential complex (including high rise apartment building, hotel tower, office buildings, commercial center, educational training - research facilities, hospital, clinics, sport complex, parking area and other business space) together with completed and uniform infrastructure facilities on the land of 98,130.2 sqm, which the subject land forms part, in Binh Duong Boulevard, Binh Hoa Ward, Thuan An Town, Binh Duong Province and provide other related services;
  - (iii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has fully paid the lump-sum land rental for the entire Land Use Duration with respect to each of the Land Lots; and
  - (iv) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to deal with land and infrastructure within the project site (including the transferring and subleasing of developed land areas) during the duration of the project.
- d) In our valuation, we have made the following assumptions: The infrastructure systems have been completed and connected to the boundaries of the subject sites as at the Date of Valuation. The inspection for this valuation was conducted prior to the Date of Valuation. We have assumed that no material change to the subject property has occurred between the dates of inspection and valuation.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 20%.
- f) An external inspection was carried out in July 2018 by Mr. Pham Thanh Duong, LL.B, MBA, MRICS No. 6034702 and the Certified Practicing Valuer (MoF) No. VI10.349 issued by Vietnam Ministry of Finance, and Ms. Ngo Doan Thu Thao – Assistant Valuer, from DCF Vietnam Corporation.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
E3.2 Office/ hotel Development, Phase II of GuocoLand Complex Project, Lot No. 158, Map E2 and Lot No. 42, Map F1, National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam	<p>The subject site falls within two land plots, namely Lot No. 158, Map E2 and Lot No. 42, Map F1, with a total site area of approximately 9,846 sqm. The subject land is the remaining vacant land of Phase II with a site area of 5,823 sqm.</p> <p>The proposed Gross Floor Area on the land is 33,128 sqm for hotel, office.</p>	The subject site was vacant upon our inspection.	<p><b>HK\$29,600,000</b> (VND87,700,000,000 EIGHTY-SEVEN BILLION SEVEN HUNDRED MILLION VIETNAMESE DONG)</p> <p>65.2% interests attributable to the Company: <b>HK\$19,299,200</b></p>
The property is located nearby VSIP Industrial Park, in close proximity to Song Be Golf Course, Aeon Mall Binh Duong Canary, approximately 30km radially south west of Tan Son Nhat International Airport, approximately 17km radially south of CBD of Ho Chi Minh City, where it can be easily accessed by National Highway 13.	The land use rights of the hotel, office and school of remaining Phase II are held for a term to be expired on 22 September 2056.		

**Notes:**

- a) According to the Land Use Rights Certificate No. AM565257 dated 14 July 2008, amendments dated 11 August 2008 and 20 January 2009 and the Certificate of Land Use Right, Home Ownership and Other Properties of the Land No. BK033609 dated 18 December 2012, the land use rights of Phase II with a total site area of approximately 9,846 sqm were granted to Cong Ty TNHH Bat Dong San GuocoLand Binh Duong for office uses for a term to be expired on 22 September 2056.
- b) As informed, GuocoLand Binh Duong Property Co., Ltd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.

- c) We have been provided with a legal opinion on the property prepared by the Group's Vietnam legal advisor, NTK Consulting Firm dated 1 October 2018, which contains, inter alia, the following information:
- (i) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to use the total land area of 9,846 sqm in Binh Hoa Ward, Thuan An Town, Binh Duong Province;
  - (ii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to invest, construct, operate, lease and sell (in accordance with Vietnamese Laws from time to time) commercial buildings and a residential complex (including high rise apartment building, hotel tower, office buildings, commercial center, educational training - research facilities, hospital, clinics, sport complex, parking area and other business space) together with completed and uniform infrastructure facilities on the land of 98,130.2 sqm, which the subject land forms part, in Binh Duong Boulevard, Binh Hoa Ward, Thuan An Town, Binh Duong Province and provide other related services;
  - (iii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has fully paid the lump-sum land rental for the entire Land Use Duration with respect to each of the Land Lots; and
  - (iv) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to deal with land and infrastructure within the project site (including the transferring and subleasing of developed land areas) during the duration of the project.
- d) In our valuation, we have made the following assumptions: The infrastructure systems have been completed and connected to the boundaries of the subject sites as at the Date of Valuation. The inspection for this valuation was conducted prior to the Date of Valuation. We have assumed that no material change to the subject property has occurred between the dates of inspection and valuation.
- e) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 20%.
- f) An external inspection was carried out in July 2018 by Mr. Pham Thanh Duong, LL.B, MBA, MRICS No. 6034702 and the Certified Practicing Valuer (MoF) No. VI10.349 issued by Vietnam Ministry of Finance, and Ms. Ngo Doan Thu Thao – Assistant Valuer, from DCF Vietnam Corporation.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Occupancy details</u>	<u>Market Value as at 31 July 2018</u>
E3.3 Commercial Development of Proposed Project/Lot No. 157, Map E2 and Lot No. 41, Map F1 (lot 6 within GuocoLand Complex), National Highway 13 (Binh Duong Boulevard), Binh Hoa – Thuan Giao Commune, Thuan An District, Binh Duong Province, Vietnam  The property is located nearby VSIP Industrial Park, in close proximity to Song Be Golf Course, Aeon Mall Binh Duong Canary, approximately 30km radially south west of Tan Son Nhat International Airport, approximately 17km radially south of CBD of Ho Chi Minh City, where it can be easily accessed by National Highway 13.	The subject site consists of two land plots, namely Plot No. 157, Map E2 and Plot 41, Map F1 with a total site area of approximately 11,014 sqm.  The proposed gross floor area on the land is 34,364 sqm for commercial uses.  According to the Land Use Rights Certificates Nos. AM565255 and AM565256, the land use rights of the site are held for a term to be expired on 22 September 2056 for education development purpose.  And according to the Decision No. 1274/QD-UBND dated 18 May 2018 of Binh Duong Province People's Committee, the master plan for converting from Education Land to Commercial - Service Land has been approved. The Group is working with the Authority to obtain the Decision for the conversion and following the updating on Land Use Right Certificates.	The subject site was vacant upon our inspection.	<b>HK\$31,600,000</b> (VND93,700,000,000 NINETY-THREE BILLION SEVEN HUNDRED MILLION VIETNAMESE DONG)  65.2% interests attributable to the Company: <b>HK\$20,603,200</b>

**Notes:**

- a) According to the Land Use Rights Certificates Nos. AM565255 and AM565256 dated 14 July 2008, amendments dated 11 August 2008 and 20 January 2009, the land use rights of the site with a total site area of approximately 11,014 sqm were granted to Cong Ty TNHH Bat Dong San GuocoLand Binh Duong for educational uses for a term to be expired on 22 September 2056.
- b) As informed, GuocoLand Binh Duong Property Co., Ltd. is a subsidiary of the Company which is indirectly owned by the Company through its non-wholly owned subsidiaries and in which the Company has a 65.2% attributable interest.

- c) We have been provided with a legal opinion on the property prepared by the Group's Vietnam legal advisor, NTK Consulting Firm dated 1 October 2018, which contains, inter alia, the following information:
- (i) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to use the total land area of 11,014 sqm in Binh Hoa Ward, Thuan An Town, Binh Duong Province;
  - (ii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to invest, construct, operate, lease and sell (in accordance with Vietnamese Laws from time to time) commercial buildings and a residential complex (including high rise apartment building, hotel tower, office buildings, commercial center, educational training - research facilities, hospital, clinics, sport complex, parking area and other business space) together with completed and uniform infrastructure facilities on the land of 98,130.2 sqm, which the subject land forms part, in Binh Duong Boulevard, Binh Hoa Ward, Thuan An Town, Binh Duong Province and provide other related services;
  - (iii) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has fully paid the lump-sum land rental for the entire Land Use Duration with respect to each of the Land Lots;
  - (iv) Cong Ty TNHH Bat Dong San GuocoLand Binh Duong has the legal right to deal with land and infrastructure within the project site (including the transferring and subleasing of developed land areas) during the duration of the project; and
  - (v) In accordance with the Decision No. 1274/QD-UBND dated 18 May 2018 of Binh Duong Province People's Committee, the master plan for the land parcel with total area of 11,014 sqm (under two Land Use Right Certificates Nos. AM565255 and AM565256) has been accepted to convert its land use purpose from Education Land to Commercial - Service Land. The land parcel after having been amended its use purpose has the technical specifications as follows:
    - Land area: 1.101 hectares;
    - Maximum floor: 6 floors;
    - Maximum construction density: 52%;
    - Having basement for parking.
- d) In our valuation, we have made the following assumptions: The infrastructure systems have been completed and connected to the boundaries of the subject sites as at the Date of Valuation. The inspection for this valuation was conducted prior to the Date of Valuation. We have assumed that no material change to the subject property has occurred between the dates of inspection and valuation.
- e) As land use purpose has been changed from Education Land to Commercial - Service Land on Land Use Right Certificates Nos. AM565255 and AM565256, we have assumed all the commission fee has been fully settled and valued this site on the basis of commercial development.
- f) As advised by the Group, the potential tax liabilities which may arise from the sale of the property include profit tax levied on the profit from the sale of the property at 20%.
- g) An external inspection was carried out in July 2018 by Mr. Pham Thanh Duong, LL.B, MBA, MRICS No. 6034702 and the Certified Practising Valuer (MoF) No. V110.349 issued by Vietnam Ministry of Finance, and Ms. Ngo Doan Thu Thao – Assistant Valuer, from DCF Vietnam Corporation.

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from Christie & Co, an independent valuer, in connection with their valuation as at 31 July 2018 of property interests of the Guoco Group in the United Kingdom.*



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The Board of Directors  
Guoco Group Limited,  
50th Floor, The Center  
99 Queens Road Central,  
Hong Kong

10 October 2018

Dear Sirs,

The following letter is a summary of the valuations of the Properties noted below prepared for the purpose of incorporation in this circular. The full valuation report of the Properties is part of documents available for inspection as stated in Appendix III.

#### **Instructing Source/Addressee**

The client to whom the Report will be addressed to and be capable of being relied upon by is Guoco Group Limited (GGL), hereinafter referred to as the “Client”.

#### **Property Details, Inspections and Information**

The Properties being valued are as follows:

<b>Ref.</b>	<b>Address</b>	<b>Inspected</b>	<b>Valuer (MRICS)</b>
1	The Tower – a Guoman Hotel, St Katharine’s Way, London E1W 1LD	27 July 2018	Alastair Hockley
2	Thistle Kensington Gardens, Bayswater Road, London W2 3HL	26 July 2018	Tom Holt-Wilson
3	Amba Hotel Marble Arch, Bryanston Street, Marble Arch, London W1H 7EH	30 July 2018	Gabriella Rozwadowska
4	The Grosvenor – a Guoman Hotel, Buckingham Palace Road, London SW1W OSJ	30 July 2018	Gabriella Rozwadowska

Ref.	Address	Inspected	Valuer (MRICS)
5	Royal Horseguards and One Whitehall Place – a Guoman Hotel, Whitehall Court, London SW1A 2EJ	27 July 2018	Gabriella Rozwadowska
6	Thistle Heathrow, Bath Road, Longford, West Drayton UB7 OEQ	19 July 2018	Tom Holt-Wilson
7	Amba Hotel Charing Cross – Strand, London WC2N 5HX	27 July 2018	Gabriella Rozwadowska
8	The Cumberland – a Guoman Hotel, Marble Arch, London W1A 4RF	26 July 2018	Tom Holt-Wilson
9	Thistle City Barbican, 120 Central Street, London EC1V 8DS	20 July 2018	Alastair Hockley
10	Thistle Express Luton, The Mall, Library Road, Luton LU1 2TR	27 July 2018	Alastair Hockley
11	Thistle Trafalgar Square, Whitcomb Street, Trafalgar Square, London WC2H 7HG	27 July 2018	Gabriella Rozwadowska
12	Thistle Bloomsbury Park, 126 Southampton Row, London WC1B 5AD	20 July 2018	Alastair Hockley
13	Thistle Express Swindon, Fleming Way, Swindon SN1 1TN	19 July 2018	Tom Holt-Wilson
14	Thistle Piccadilly, Coventry Street, London W1D 6BZ	20 July 2018	Alastair Hockley
15	Thistle Hyde Park, Hyde Park, Lancaster Gate, London W2 3NR	26 July 2018	Tom Holt-Wilson

Individually referred to as the “Property” and together as the “Properties”.

The Properties were inspected by the valuer identified as aforementioned between 19 and 30 July 2018. At each Property we were met by a member of staff who showed us over the premises.

The ownership of the Properties is as set out in this report. For the purposes of this valuation each is operated as a hotel by the owner.

We have been provided with financial and property information by Peter Herbert, Chief Financial Officer and Kate Ferguson, Financial Controller of GLH Hotels Management (UK) Limited and we have relied upon this as being correct. Should any information provided prove to be incorrect, then we reserve the right to revisit the valuation. In addition, we have carried out our normal research and enquiries.



We have relied upon the information and comments on the Properties together with the actual, budget and forecast trading accounts provided to us by the Client. We have assumed that the accounts are correct and complete and can be substantiated by independent audit. We stress that in the event of a future change in trading potential or actual levels of trade from that indicated by the accounts and assumptions, the Valuations could also vary. We take no responsibility for any mis-statement, omission, or misrepresentation made to us.

The full report comprises a statement of the Instructions, an Executive Summary and Appendices giving details of each Property and valuation. The full report should be read in its entirety in addition to this summary letter.

**Tenure**

A mix of freehold and leasehold tenures.

**Currency**

The Valuations are expressed in GBP.

**Valuation Date**

The Valuation Date is 31 July 2018.

**Responsible Valuer**

The valuation report (the “Report”) has been undertaken by Tom Holt-Wilson MRICS Director (the “Responsible Valuer”), Alastair Hockley MRICS Director and Gabriella Rozwadowska MRICS all of Christie & Co and all RICS Registered Valuers. All have the appropriate local and national knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.

Mr T Holt-Wilson MSc MRICS (1185100) is an RICS Registered Valuer (see [www.rics.org](http://www.rics.org)) and Director of Christie & Co (see [www.christie.com](http://www.christie.com)). Christie & Co is an RICS registered company and we would refer you to the RICS for evidence of our registration. Mr Holt-Wilson qualified as a member of the RICS in 2005 and has been valuing hotels in the UK and Europe over the last twelve years.

**Limitations**

Our opinion of valuation has been requested with short form reporting and without access to interview the management of each Property. We do not believe that this has introduced a material deficiency in our reporting or opinions, but the risk of such is heightened.

**Conflicts of Interest**

There is no relationship between Christie & Co (including the signatories of the Report) and the Client other than the current valuation. We confirm that we are independent and are not aware of any conflict of interest that prevents us from undertaking this instruction. We also confirm that, in preparing the Report, we act in the capacity of External Valuers.

**Reporting Requirements and Compliance**

The Report has been produced in accordance with the RICS Valuation - Global Standards published in June 2017 (the “Red Book”), incorporating the International Valuation Standards 2017 (“IVS”).

The Report has regard to the relevant requirements contained in Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complies with all the requirements contained in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “Takeovers Code”) issued by the Securities and Futures Commission.

We have also complied with the HKIS Valuation Standards published by The Hong Kong Institute of Surveyors 1st Edition October 2017.

This instruction has been undertaken in conjunction with Christie & Co’s letter of engagement dated 13 July 2018.

We confirm that we hold appropriate Professional Indemnity Insurance in respect of this Instruction and that we generated no fees from the Client or any companies related to the Client in this or last financial year.

**Purpose of Valuation**

The purpose of the Valuation is for inclusion in GGL’s circular in relation to the proposed privatisation of GGL announced on 2 July 2018 on The Stock Exchange of Hong Kong Limited (the “Scheme Document”).

**Complaints**

Any complaints or issues arising out of the Valuation will be in accordance with Christie & Co’s complaints handling procedure, a copy being available on request. The Valuation may be subject to monitoring under RICS’ conduct and disciplinary regulations.

**Basis of Valuation**

The Report has been produced in accordance with the Red Book. The basis of valuation is Market Value, which is defined by the Red Book as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The definition of Market Value should be interpreted in the context of the 2017 International Valuation Standards Framework (paragraphs 30 to 30.7 of IVS104), which includes the conceptual framework.

**Statutory Enquiries**

We were not given access to management at every Property and have relied on the Client for confirmation of the following:

**Trade Furnishings, Fixtures, Fittings, Plant and Equipment**

With the exception of certain minor items at the Properties, these are owned outright.

**Services and Installations**

All services and installations are adequate for the businesses at the Properties and in good working order.

**Property Maintenance**

A rolling programme of repair and maintenance is undertaken at all the Properties.

**Structural Condition**

There are no major structural defects at the Properties.

**Planning and Other Statutory Requirements**

All relevant consents, licences and permissions are maintained without breach. In particular:

- The Properties all have planning consent
- Premises and civil ceremony licences are in place at each property where required
- Fire risk assessments are all up to date with no outstanding items of material significance
- Asbestos Containing Material management plans are in place at each Property with no material outstanding obligations regarding removal or containment

**Methodology**

We have had regard to Valuation Practice Guidance – Application 4 (“VPGA 4”), valuation of individual trade related properties. Certain trade related properties are valued using the profits method of valuation. This Valuation Practice Guidance – Application sets out the principles of this method of valuation. Trade related properties are normally bought and sold on the basis of their trading potential. The essential characteristic of this type of property is that it has been designed or adapted for a specific use, and as a result the value of the property is intrinsically linked to the returns that an owner can generate from that use. The value therefore reflects the trading potential of the property.

Unless otherwise stated, our valuations are provided on an estimate of fair maintainable turnover (FMT) and operating profit (FMOP) that a Reasonably Efficient Operator (REO) would expect to achieve on the assumption that each property is properly equipped, repaired, maintained and decorated.

In preparing our valuation we have utilised a number of methodologies which we consider appropriate to such businesses. Principally we have adopted an income capitalisation approach checking against a direct comparable approach.

With the exceptions of The Cumberland and Thistle Heathrow, our assessment of EBITDA is shown post deduction of an FF&E reserve equivalent to 3% of turnover.

The comparative approach is easily understood by operators and investors alike and such comparisons are widely quoted in the professional press and local and national media. Sales of comparable hotels have been carefully analysed and weighted against all the respective advantages and disadvantages of the Properties in order to confirm the Market Values ascribed by income capitalisation.

### **Basis of Market Value**

Market Value of the Property as a fully equipped operational entity having regard to trading potential.

### **Marketing**

The Market Values ascribed assume orderly marketing programmes for the Properties of individual disposals, not a sale of all the Properties at one time, depending on their tenure. For the freehold and long leasehold Properties a period of six to nine months; for the short leasehold Properties a period of between nine and eighteen months. Commensurate with this assumption we have valued the Properties assuming efficient marketing and management systems are in operation.

### **Short Leasehold Commentary**

We were advised by the Companies that six of the Properties were the subject of a sale and leaseback transaction in April 2005 with Topland Group Holdings Limited (“Topland”). We consider that some of the rents payable under this transaction are higher than open market levels negotiated under standard commercial leases. The incidence of such sale and leaseback transactions increased significantly in the UK hotel property market up to the “Credit Crunch”, as the onset of the financial and banking crisis was colloquially dubbed in 2007, but since that date such activity has stalled. Many lessees have faced mounting difficulties meeting their contractual rent obligations as trading has become increasingly difficult. Furthermore, there remains scant market evidence of transactions of the lessees’ interests, many hotels being perceived as “over rented” in the current trading environment. We have therefore used valuer judgement and are of the opinion that in a number of cases where there is a current likelihood of negligible or negative EBITDA, then short leasehold hotels can have nil value.

**Valuations**

We set out our opinions of Market Value of the Properties in the table below.

<b>Property</b>	<b>Location</b>	<b>Tenure</b>	<b>Rooms</b>	<b>Market Value £</b>	<b>Market Value/ Room £</b>
The Tower	St Katharine's Way, E1W	FH	801	255,000,000	318,350
Thistle Kensington Gardens	Bayswater Road, W2	FH	175	53,000,000	302,860
Amba Hotel Marble Arch	Marble Arch W1H	LLH	692	311,000,000	449,420
The Grosvenor	Buckingham Palace Road, SW1W	LLH	345	118,000,000	342,030
Royal Horseguards and One Whitehall Place	Whitehall Court SW1A	LLH	282	140,000,000	496,450
Thistle Heathrow	Bath Road UB7	LLH	266	6,000,000	22,560
Amba Hotel Charing Cross	The Strand WC2N	LLH	239	110,000,000	460,250
The Cumberland	Marble Arch W1A	LH	1,019	69,600,000	68,300
Thistle City Barbican	120 Central Street EC1V	LH	463	–	–
Thistle Express Luton	Luton LU1	LH	152	–	–
Thistle Trafalgar Square	Trafalgar Square WC2H	LH	108	2,400,000	22,220
Thistle Bloomsbury Park	126 Southampton Row WC1B	LH	95	2,000,000	21,050
Thistle Express Swindon	Swindon SN1	LH	95	–	–
Thistle Piccadilly	Coventry Street W1D	LH	82	800,000	9,760
Thistle Hyde Park	Lancaster Gate, London W2	LH	54	–	–

The total <b>freehold (FH)</b> Property values equate to:	<b>£308,000,000</b>
The total <b>long leasehold (LLH)</b> Property values equates to:	<b>£685,000,000</b>
The total <b>short leasehold (LH)</b> Property values equates to:	<b>£74,800,000</b>

The Properties have been valued individually and no account has been taken of the value of the group should they be disposed of in a single or multiple lots.

The valuations exclude any liability that arises or could arise in respect of VAT, taxation and the costs of acquisition or realisation.

For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by the Client, the potential tax liabilities which may arise from the sale of properties includes capital gains tax which levies on the profit from the sale of properties at 19% in the United Kingdom. The likelihood of the potential tax liability being crystalized is considered remote as we are advised that as at 5 October 2018, being the latest practicable date for the purpose of ascertaining certain information for inclusion in the Scheme Document, the Client has no current intention to dispose of the relevant property interests.

### **Restrictions and Confidentiality**

According to our standard practice, in the course of preparing the Report, we have neither verified nor taken into account such tax liability. We have valued the Properties as being clear and free of all debentures, mortgages or other forms of secured lending and any other charges which may be secured thereon. Furthermore, we have not taken into consideration changes in legislation both general and specific to the UK property market, or the effect of wholly unforeseen and catastrophic events upon the UK hotel property market.

This letter is provided solely for the purpose stated in the Introduction to the Report. It is confidential to and for the use only of the party to whom it is addressed only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this letter or the Report at their own risk. Save as for the express purpose indicated in the Introduction (for which the Report can be replicated in full only not in part), neither the whole nor any part of this letter or the Report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Yours faithfully,

Tom Holt-Wilson MRICS

*Director*

**Christie & Co**

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**1. GUOMAN THE TOWER**

**Market Value – £255,000,000**

**Situation & Location**

The Property is situated adjacent to Tower Bridge and the Tower of London overlooking the River Thames and St Katharine's Dock. Its easily accessible by public transport, the nearest station being Tower Hill c300m to the north. The Property is very well located for corporate travellers, being in close proximity to the City of London and within easy reach of Canary Wharf. Leisure demand benefits from being adjacent to the Tower of London and Tower Bridge, and a short walk from numerous other attractions.

**Description**

A substantial 1970s purpose built hotel, mainly of concrete faced design in a basic crucifix form with an irregular roof line. A service road circles the Property and passes beneath it at several points. The Property has 801 guest rooms and suites, 2 formal restaurants, one of which was recently refurbished and renamed the Gallery Restaurant, two coffee shops, a bar, Guoman Lounge, 19 function/meeting rooms and an exercise gymnasium. There is the full range of administration, kitchens, service, storage and staff areas including 20 staff bedrooms. Underground parking for up to 90 cars is available.

**Accommodation**

801 en suite guest rooms

Gallery Restaurant, Brasserie Restaurant and XI Bar.

19 meeting rooms with a maximum capacity of 550 in the Tower Suite

Mini gymnasium, Guoman Executive Lounge, substantial back of house facilities

**Condition**

The hotel presented in mixed condition. Internally, the Property is functional however rooms and common areas are somewhat dated having not benefitted from a substantial refurbishment for in excess of 10 years. A comprehensive refurbishment is planned shortly. Externally, the concrete cladding is at the end of its useable life, exhibiting spalling and requiring either repair or replacement in the short term.

**Ownership Details**

As informed by the Companies, the registered owner of the Property is The Tower Hotel (London) Limited. The Tower Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel.

## 2. THISTLE KENSINGTON GARDENS

**Market Value – £53,000,000**

### **Situation & Location**

The Property stands on the eastbound side of Bayswater Road, which runs along the northern boundary of Hyde Park and Kensington Gardens, approximately one mile west of Marble Arch. Its easily accessible by public transport being located between Queensway and Lancaster Gate underground stations and on a good bus route into central London. The area is particularly well located for leisure travellers, being in close proximity to the West End of London.

### **Description**

The hotel comprises a purpose built 10 storey hotel of concrete box construction dating from the 1960s. The main ground floor frontage to Bayswater Road is occupied by a petrol forecourt. The Property has a limited ground floor comprising a lift lobby, the remainder of the accommodation is on the upper floors and comprises 175 guest rooms, restaurant, bar and 3 function/meeting rooms. There is the full range of administration, kitchens, service, storage and staff areas. Externally at the rear of the Property is barrier controlled parking on ground and basement levels for up to 50 cars. The Property completed a major refurbishment in September 2012.

### **Accommodation**

175 en suite guest rooms

First floor restaurant, bar and three meeting rooms

Three meeting rooms with maximum single capacity of 140 delegates

### **Condition**

The hotel presented in mixed condition. Internally, the Property is still showing the benefit of the refurbishment in 2012 but repair is required to a significant number of air handling units for air conditioning. Externally there are signs that the elevation may need investigation to ensure the concrete frame is still sound (which our valuation assumes it is).

### **Ownership Details**

As informed by the Companies, the registered owner of the Property is GLH KG Limited. GLH KG Limited is a subsidiary of GLH Hotels Group Limited which is indirectly owned by GGL through its non- wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel.



**3. AMBA HOTEL MARBLE ARCH**

**Market Value – £311,000,000**

**Situation & Location**

The Property is located at the western end of Oxford Street, one of London's prime shopping areas. It occupies an island site bounded by Oxford Street, Portman Street, Bryanston Street and Old Quebec Street. The Property is readily accessible located a short walk north of Marble Arch station (central line) and close to the A5 and A4202 leading north and south retrospectively. It is in a strategic location for both corporate and leisure travellers.

**Description**

The Property occupies a substantial corner pitch and comprises a 1930's solid brick-built property, originally built for serviced apartment use arranged over basement, ground and seven upper floors. Reception is located on the first floor, accessed via escalators, stairs or lift from the ground floor. Its 692 en suite guest rooms are arranged over first to seventh floors. Facilities include 'The Grill' restaurant which is open throughout the day and leads onto the The Bar, The Deli, coffee shop, thirteen well decorated and equipped meeting rooms and a gymnasium. There is a full range of administration, kitchens, service, storage and employee areas.

**Accommodation**

692 en suite guest rooms

Grill Restaurant, The Bar, The Deli, Coffee Shop

13 meeting rooms with a maximum capacity of 500 (theatre style)

Mini gymnasium, Business Lounge, substantial back of house facilities

**Condition**

The Property is in excellent condition having undergone in recent years to AMBA brand standards creating homogeneity throughout the hotel. Externally, the Property appeared in good condition and repair.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is GLH Hotels Limited, on behalf of Marble Arch Hotel (London) Limited. Marble Arch Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 24 March 2110 (92 years unexpired).

#### 4. THE GROSVENOR – A GUOMAN HOTEL

**Market Value – £118,000,000**

##### **Situation & Location**

The Property is located above and adjacent to Victoria station, with a secondary rear access directly from the station. Primary access is via Buckingham Palace Road. The Property is strategically located due to its proximity to Victoria station and other areas of interest including The Apollo Victoria Theatre and Victoria Palace Theatres (0.1 miles), Westminster Cathedral (0.3 miles) and Buckingham Palace (0.4 miles). There are various competitors within close proximity due to the location. Corporate demand is driven by a resurgence in office development around Victoria.

##### **Description**

The Property comprise a purpose built, Grade II listed hotel originally constructed in 1862, with further extension over the front of the station at the turn of the twentieth century. It is arranged over basement, ground and six upper floors and comprises masonry brick construction under a partially flat, partially half hip roof with dormer windows. There is no parking available on site. The hotel comprises 345 en suite guest rooms and suites, two restaurants, a bar, lounge, Guoman Lounge, nine meeting rooms and a gymnasium. There is the full range of administration, kitchens, service, storage and staff areas.

##### **Accommodation**

345 en suite guest rooms

Grosvenor Restaurant, Reunion Cocktail Bar and The Lounge at the Grosvenor

9 meeting rooms with a maximum capacity of 100 (theatre style)

Mini gymnasium, Guoman Executive Lounge, substantial back of house facilities

##### **Condition**

The Property appeared well presented on inspection and is maintained on a rolling basis as required. We are advised the hotel is shortly to undergo a comprehensive refurbishment programme throughout public areas and to reconfigure rooms to provide a greater number of higher graded rooms to suit demand and refresh the F&B offering.

##### **Ownership Details**

As informed by the Companies, the registered tenant of the Property is The Grosvenor Hotel Victoria Limited. The Grosvenor Hotel Victoria Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 29 February 2108 (90 years unexpired).

**5. ROYAL HORSEGUARDS AND ONE WHITEHALL PLACE**

**Market Value – £140,000,000**

**Situation & Location**

The Property occupies a scenic position on the Embankment of the River Thames opposite the London Eye, to the rear of the Whitehall Gardens and within the Division Bell of the House of Commons. Embankment tube station is located 0.2 miles to the east and the Hungerford and Royal Jubilee Bridge which provides pedestrian access over the Thames is 0.1 miles to the east. The Property is well located for both leisure and corporate guests with The Playhouse Theatre 0.1 miles north and Trafalgar Square just 0.4 miles to the north east.

**Description**

The Property is formed of several Grade II\* listed buildings with stone facades dating from the late 1880's and combined into one entity in 1989, albeit retaining two separate entrances. Internally and externally the Property features French renaissance detailing comprising gabled pavilions and dormered mansard and gabled dormer windows to the exterior and similarly, the interiors are lavishly decorated and furnished with features including oval sweep through staircases and marble. Hotel accommodation comprises 282 en suite guest rooms and suites, restaurant, lounge, bar, outdoor terrace, seven function rooms and a gymnasium.

**Accommodation**

282 en suite guest rooms

One Twenty One Two Restaurant, Secret Herb Garden, Lounge, Outdoor Terrace

7 meeting rooms with a maximum capacity of 300 (theatre style)

Mini gymnasium, back of house facilities

**Condition**

The Property appeared in good condition both internally and externally with ad-hoc works carried out by the onsite maintenance team as and when required to upkeep quality. There has been modest investment over the past three years and we envisage the Property requiring a light refresh within the medium term, which is also identified within the budgeted capital expenditure for 2020.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is GLH RHG Limited. GLH RHG Limited is a subsidiary of GLH Hotels Group Limited which is indirectly owned by GGL through its non- wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 4 July 2092 (74 years unexpired).

**6. THISTLE HEATHROW**

**Market Value – £6,000,000**

**Situation & Location**

The Property is located just off the A4, the Bath Road, a main arterial road forming the northern boundary of Heathrow, the UK's busiest airport. It is sited at the north west corner of the airport complex, approximately one mile from terminals 2 and 3, three miles from Terminal 5 and four miles from Terminal 4. A self-driving LHR POD transport system is available for guest's personal transportation directly into Terminal 5 from the directly adjacent Business Parking site.

**Description**

The Property occupies a site of 8.8 acres (3.58 hectares) and is formed by a series of low rise, two storey brick built blocks under flat roofs, dating from the late 1950s which all interlink and are arranged in an irregular 'H' shape. The accommodation has been reduced to 266 guest rooms, from 314, by the conversion of one block to offices for the use of the Company. Guest rooms are a compact c. 15 sqm. There is the full range of administration, kitchens, service, storage and staff areas including 14 staff bedrooms. Externally there is barrier controlled parking for up to 500 cars and an area is under let to a car hire company.

**Accommodation**

266 En Suite Guest Rooms

Restaurant (150) and Bar (50) with terrace and views of the runway; Café/lounge (54)

25 function and meeting rooms with maximum single capacity for 700 delegates

No leisure facilities. Car Parking for 500 cars

**Condition**

The hotel presented in average condition internally and in poor condition externally. Internally decoration is dated and some aluminium framed windows have lost their seal. Externally the Property is dated but also presents a poor first impression on account of its poor upkeep.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is Heathrow Hotel (London) Limited. Heathrow Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 23 December 2168 (150 years unexpired).

**7. AMBA HOTEL CHARING CROSS**

**Market Value – £110,000,000**

**Situation & Location**

The Property is situated on the Strand, standing over the front entrance to Charing Cross railway station, 0.2 miles west of Trafalgar Square and 0.3 miles south west of Covent Garden. There is excellent accessibility to the hotel with proximity to Charing Cross station and Embankment tube station (0.1 miles south east). The Strand also provides direct access to the Mall, A440 and Waterloo Bridge. Charing Cross is often referenced as the ‘centre’ of London and hence we consider this an excellent location for both leisure and corporate demand.

**Description**

A landmark Grade II listed 1865 railway hotel located adjacent to Charing Cross Underground station. It is arranged over three basement floors, ground and seven upper floors. The hotel has 239 en suite guest rooms arranged over the main hotel and the Buckingham Wing. The Terrace Restaurant overlooks the Strand and has a Terrace Bar. There is an AMBA Lounge for guests staying in executive grade plus. Further facilities include ten meeting rooms and onsite gymnasium. There are nine student apartments on the seventh floor which are occupied by hospitality students who work at the hotel as part of their remuneration package.

**Accommodation**

239 en suite guest rooms

Terrace Restaurant, Terrace Bar, AMBA Lounge, Business Lounge

10 meeting rooms with a maximum capacity of 170 (theatre style)

Mini gymnasium, substantial back of house facilities

**Condition**

The Property appeared in good condition through public areas and accommodation, with the brand standard evident throughout having undergone capital expenditure over the past three years. We were further advised that there is an onsite maintenance team who carry out ad-hoc works as and when required to maintain standards. Externally, the Property is in good condition and repair.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is GLH Hotels Limited with Beneficial Interest assigned to The Charing Cross Hotel Limited. The Charing Cross Hotel Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 26 March 2111 (93 years unexpired).

**8. THE CUMBERLAND – A GUOMAN HOTEL**

**Market Value – £69,600,000**

**Situation & Location**

The Property occupies a prominent location at the western end of Oxford Street, overlooking Marble Arch and Hyde Park. The Property fronts to Oxford Street, one of London's West End premier shopping thoroughfares, and sits astride Marble Arch underground station. The main building is an island site (with ground floor third party retail units excluded) and there is an underground link to neighbouring Great Cumberland Place (GCP). The Property is very well located for leisure travellers, being in close proximity to Oxford Street and London's West End.

**Description**

The Property was built in 1933 and is a substantial steel framed building with Portman stone cladding. The main entrance is from Cumberland Place and to the rear is independent access to 20 GCP. The Property is currently undergoing a substantial refurbishment, with the majority of the ground floor and two whole bedroom floors closed. The Property will reopen under the Hard Rock Brand in mid-March 2019 following a 30-40 day closure period. Following Phase I works, there are Phase II plans to refurbish the meeting and event space, ground floor GCP and 119 bedrooms of GCP (reducing these in number to 98). Our valuation assumes Phase I only.

**Proposed Accommodation (Phase I completed)**

1019 en suite guest rooms, majority Hard Rock branded  
Hard Rock Café (270), Retail, Cocktail Bar (40), Lobby Bar (60 Covers)  
Basement level meeting and event space and gymnasium (unrefurbished)

**Condition**

The standard of the refurbished guest rooms and the standard proposed for the ground floor is commensurate with a luxury hotel. Regarding the capital expenditure there has been precisely £39.3m spent and committed at the Valuation Date toward a total forecast of £46.4m for Phase I Hard Rock Hotel refurbishment and re-branding.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is The Cumberland Hotel (London) Limited. The Cumberland Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 21 March 2020 (2 years unexpired) however there are various options for the tenant to extend the term, with the final term ending 21 March 2089 (70 years unexpired).

**9. THISTLE CITY BARBICAN**

**Market Value – Nil**

**Situation & Location**

The Property occupies an island site bounded by Central Street, Hull Street, Lever Street and Dingle Road approximately one mile to the north of the City of London and just to the east of Shoreditch. It is easily accessible by public transport, the nearest station being Old Street c500m to the east. The Property is very well located for corporate travellers, being in close proximity to the City of London and within easy reach of Canary Wharf. Leisure demand benefits from being close to the districts of Shoreditch & Islington and a short walk from numerous other attractions.

**Description**

The main access is by a central private road splitting the Property into two sections: the rear building was formerly a tobacco warehouse dating from the nineteenth century converted to hotel use around the late 1960s, at the same time that the front building was developed. The accommodation comprises 463 en suite guest rooms and suites, restaurant, bar, separate sports bar, 7 function/meeting rooms, health and fitness club with gymnasium and indoor pool and a business centre. There is the full range of administration, kitchens, service, storage and staff areas including 7 twin staff bedrooms. On the central private road there is parking for 16 cars.

**Accommodation**

463 en suite guest rooms

Restaurant (120 covers) Bar and Sports Bar

7 meeting rooms. Leisure club with gym and indoor pool

Substantial back of house facilities. GF of part being converted to GLH head office

**Condition**

The hotel presented in mixed condition. Internally, the Property is functional however many of the rooms and common areas are somewhat dated and tired having not benefitted from a substantial refurbishment for in excess of 10 years. There is variability within the bedroom stock within the two buildings. Works are ongoing to make structural improvements to the basement.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is Barbican Hotel (London) Limited. Barbican Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 26 April 2035 (17 years unexpired) however there is a tenant's option to extend the term.

**10. THISTLE EXPRESS LUTON****Market Value – Nil****Situation & Location**

The Property is situated in the heart of Luton town centre, approximately 30 miles to the north of London. Luton is a strategic location, home to London Luton airport and in close proximity to a number of local demand drivers including Woburn Safari Park and Whipsnade Zoo. Luton is well connected to the M1 motorway. The Property occupies a central location a short walk from Luton station and adjacent to the Mall Shopping Centre adjacent to St George's Square. Luton Airport is approximately 2 miles to the south east.

**Description**

The Property comprises a concrete framed and clad building dating from the 1960's and arranged over 10 upper floors. Guest access to the hotel is made from a podium level at the level of the adjacent Mall, however this is 2 floors above the ground level. An open car park with 16 spaces lies in front. There are 152 en suite guest rooms over the upper floors. At podium level there is an open plan reception and breakfast room with c78 covers. There is a range of administration, kitchen and staff areas on the podium level and below. An area of the hotel previously utilised as meeting rooms and a spa has been mothballed and no access was available.

**Accommodation**

152 en suite guest rooms  
Restaurant with 78 covers, open plan reception area  
Mothballed meeting & events / spa space (not inspected)  
Appropriate range of back of house facilities

**Condition**

Internally, the hotel is well presented having benefited from a full refurbishment in 2016/17 during which the hotel was closed. It was rebranded to Thistle Express at this point. We were unable to inspect the areas of the Property currently mothballed. Externally, the Property appears dated but in fair condition. We were not made aware of any major wants of repair or outstanding issues.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is GLH Hotels Limited, on behalf of The Strathmore Hotel (Luton) Limited. The Strathmore Hotel (Luton) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 24 December 2069 (51 years unexpired) however there is a tenant's option to extend the term.



**11. THISTLE TRAFALGAR SQUARE**

**Market Value – £2,400,000**

**Situation & Location**

The Property is situated to the rear of the National Gallery, between Trafalgar Square and Leicester Square towards the southern end of Whitcombe Street, bounded by Orange Street to the north and St Martins Street to the east. The Property is well located for access to Covent Garden and Soho. This central London location is considered excellent to attract both leisure and corporate demand.

**Description**

The Property forms part of a substantial office development, with the remainder known as St Vincent House. The Property comprises 1960's concrete clad construction arranged over basement, ground and six upper floors. Accommodation comprises 108 en suite guest rooms, Squares Restaurant, Bar and al fresco terrace, reception/lounge and one function room on ground floor level. There is an administration office to the rear of reception and sufficient service and back of house accommodation.

**Accommodation**

108 en suite guest rooms  
Squares Restaurant, Squares Bar, Lounge, Al Fresco Terrace  
1 meeting rooms with a maximum capacity of 10 (boardroom style)  
Sufficient bank of house facilities

**Condition**

The Property appears in good condition both internally and externally. Internally, the hotel is well maintained to brand standards and homogeneity between rooms is evident. There has been limited recent capital expenditure employed.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is Trafalgar Hotel (London) Limited. Trafalgar Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 14 August 2029 (11 years unexpired).

**12. THISTLE BLOOMSBURY PARK**

**Market Value – £2,000,000**

**Situation & Location**

The Property is located on the A4200 Southampton Row in the Bloomsbury district of Central London. It extends along Cosmo Place, a pedestrianised side street. It is easily accessible by public transport, broadly equidistant between Russell Square and Holborn underground stations. This midtown location is well positioned for corporate demand, sitting between the West End and City office markets. Leisure travellers are drawn by the location in the heart of London, with specific proximity to attractions such as the British Museum.

**Description**

The Property is an early twentieth century red brick building arranged over basement, ground and seven upper storeys. It lies at the end/corner of a neighbouring mansion block of similar age and design. Externally it is attractively presented. The Property has 95 en suite guest rooms, of which six are singles and three are suites. On the ground floor there is a restaurant with c50 covers, open plan bar and a basement meeting room with separate bar facilities. There is a range of administration, kitchen, service, staff and storage areas, predominantly arranged in the basement areas. A lift provides access between the basement and sixth floor of the Property.

**Accommodation**

95 en suite guest rooms

50 cover Restaurant, open plan bar area

Basement meeting room with a seated capacity of 34 theatre style

Back of house facilities commensurate with the scale of the Property

**Condition**

Internally, the Property is in fair condition with rooms and public areas benefiting from a rolling programme of maintenance. An internal link bridge was replaced in H2 2017 with a disruptive impact on the number of rooms available. Externally, repairs to facades were undertaken in 2013, and now appear in good condition. We have not been made aware of any major wants of repair or outstanding issues.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is Bloomsbury Hotel (London) Limited. Bloomsbury Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 26 April 2035 (17 years unexpired) however there is a tenant's option to extend the term.

**13. THISTLE EXPRESS SWINDON****Market Value – Nil****Situation & Location**

The Property is located in Swindon town centre on the corner of Islington Street and Fleming Way and semi detached with the Parade Shopping Centre. It is within walking distance of the main railway station as well as the Brunel Centre and Outlet Village. There is no parking on site but there is public parking in the surrounding area.

**Description**

The Property dates from the mid 1960s and is a constructed over basement, ground floor and eight upper floors. The building has a concrete frame with brick facades. The public areas are located on the ground floor and comprise the reception desk and lobby in open plan with a breakfast area (with breakfast bar). There is mothballed restaurant on the ground floor and mothballed meeting and event space and kitchen on the first floor. There are guest rooms on the second to eighth floors and lifts to all floors. Air conditioning is to the public areas only.

**Accommodation**

95 en suite guest rooms

Breakfast Room (60 covers)

Underutilised meeting and event/office development space

**Condition**

The Property underwent a significant refurbishment before re-opening in July 2017. The interior presents well. The exterior remains dated - of its time. There are some areas of disrepair noted such as failing seals in the aluminium framed windows and some door locks failing (with no replacement parts available).

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is The Wiltshire Hotel (Swindon) Limited. The Wiltshire Hotel (Swindon) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 27 September 2064 (46 years unexpired) however there is a tenant's option to extend the term.

**14. THISTLE PICCADILLY****Market Value – £800,000****Situation & Location**

The Property occupies a prime site on the corner of Coventry Street and Whitcomb Street, facing Leicester Square at the heart of London's West End, a short distance from Piccadilly Circus and Trafalgar Square. It is easily accessible by public transport, lying broadly equidistant between Leicester Square and Piccadilly Circus stations. This is an excellent location for leisure business with a wide range of tourist attractions in a short walking distance. It remains a popular corporate location, with both the West End and City of London being easily accessible.

**Description**

The Property is a substantial early twentieth century rounded corner building. The Property abuts the Prince of Wales Theatre and together they form an island site bounded by Coventry Street, Whitcomb Street and Whitcomb Court. The accommodation comprises 82 guest rooms, bar and restaurant. A coffee shop adjacent to the ground floor entrance is operated by the Property. There is a range of administration, kitchen, service, storage and staff areas. Part of the ground floor has been under let for various retail uses.

**Accommodation**

82 en suite guest rooms  
Restaurant and Bar located in the basement  
No meeting or event space  
Mini gymnasium and limited back of house facilities

**Condition**

A full refurbishment was undertaken from February to June 2012 to all the guest rooms and public areas and further work was undertaken when the hotel was rebranded to an 'Every' Hotel in 2014. The hotel presented well. Externally, the upper parts of the Property appear in fair condition and we were not advised of any significant wants of repair. At ground level, the majority of the Property is sublet to retail concepts.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is Piccadilly Hotel (London) Limited. Piccadilly Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 26 April 2035 (17 years unexpired) however there is a tenant's option to extend the term.

**15. THISTLE HYDE PARK****Market Value – Nil****Situation & Location**

The Property is located in Bayswater, an established residential/hotel area of Central London, approximately a mile to the west of Marble Arch and close to Paddington Station, the main rail terminus for routes to the West of England and the Heathrow Express. The Property is midway between Queensway and Lancaster Gate underground stations, set back from the Bayswater Road overlooking Hyde Park, with rear elevation to Lancaster Gate. Leisure demand benefits from being close to good public transport, Marble Arch, Oxford Street and London's West End.

**Description**

The hotel is formed by the amalgamation of three large terrace town houses built in the 1826. The Property was substantially rebuilt in the mid 1980s behind the original listed façade. The accommodation comprises 54 guest rooms and suites, restaurant, bar, lounge and three function/meeting rooms. There is a range of administration, kitchens, service, storage and staff areas mainly located in the basement.

**Accommodation**

54 en suite guest rooms  
Bar (36 covers) and restaurant (36 covers)  
Three meeting rooms with largest single capacity of 30

**Condition**

The hotel presents in below average condition with recent capital expenditure largely limited to compliance works related to fire safety (all completed). The exterior and interior condition is tired and would benefit from refurbishment to drive performance. Well-maintained throughout although recurring damp is evident in part of upper floors.

**Ownership Details**

As informed by the Companies, the registered tenant of the Property is Hyde Park Hotel (London) Limited. Hyde Park Hotel (London) Limited is a subsidiary of GLH Hotels Limited which is indirectly owned by GGL through its non-wholly owned subsidiaries and in which GGL has a 67.6% attributable interest.

The Property is held for operational purposes as a hotel. The current lease expires 26 April 2035 (17 years unexpired) however there is a tenant's option to extend the term.

*The following is the text of a letter and a summary of values prepared for the purpose of incorporation in this Scheme Document received from Gerald Eve LLP, an independent valuer, in connection with their valuation as at 31 July 2018 of property interests of the Guoco Group in the United Kingdom.*

**GERALDEVE**

72 Welbeck Street, London, W1G 0AY  
www.geraldeve.com

The Board of Directors  
Guoco Group Limited  
50th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

For the attention of The Board of Directors of Guoco Group Limited (the "Addressee")

10 October 2018

Our Reference: DJA/ADB/U0007448

Dear Sirs

**Valuation of Property Interests in Various Casinos,  
Bingo clubs and Administrative Offices in the United Kingdom  
The Rank Group Plc and Clermont Leisure (UK) Limited**

**1. Introduction**

- 1.1 Further to your instructions, as confirmed in our Engagement Letter dated 23 July 2018, we have valued the property interests held by various subsidiaries of The Rank Group Plc (collectively referred to as "Rank"), a company 52.0% owned by Guoco Group Limited ("Guoco"). As instructed we have also valued one property owned by Clermont Leisure (UK) Limited ("Clermont Leisure"), a wholly owned subsidiary of GL Limited, a company 67.6% owned by Guoco.
- 1.2 We have prepared a separate Summary Letter and Summary of Values which has, with our consent, been included within the scheme document to Guoco shareholders.
- 1.3 This Report and all Appendices A to N inclusive must be read together.

## 2. Scope of Instruction

- 2.1 As instructed we have updated our previous valuation report dated 30 April 2013 in relation to the proposed privatisation of Guoco announced on 2 July 2018 on The Stock Exchange of Hong Kong Limited. As agreed, this valuation report has been undertaken on the basis of a desktop update, with limited inspections where necessary.
- 2.2 Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “Takeovers Code”) issued by the Securities and Futures Commission, require a valuation of all property interests in these circumstances.
- 2.3 We are acting as an Independent Valuer for the purposes of this instruction.
- 2.4 We confirm that we meet the Independent Valuer requirements as stated in Rule 5.08 of Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and that none of the partners of Gerald Eve LLP is an officer, servant or proposed Director of Guoco, Rank or Clermont Leisure. Furthermore, we have carried out the necessary checks and are not aware of any conflict of interest in this respect.
- 2.5 Gerald Eve LLP has previously advised and continues to advise subsidiary companies of Guoco, including Rank and GLH with regard to various landlord and tenant matters, asset management advice and the provision of an on-going business rates service.
- 2.6 The work undertaken on behalf of Guoco subsidiary companies has included the provision of advice on the subject properties, but we do not consider that this previous and on-going involvement precludes us from advising in this instance.
- 2.7 We confirm the individuals carrying out this valuation have the appropriate current local and national knowledge of the particular market and the skills and understanding to undertake the valuation competently. This report has been prepared by Daniel Anning MA MRICS RICS Registered Valuer (Partner) and Andrew Buxton BSc MPhil MRICS RICS Registered Valuer (Partner) and checked by Richard Moir BSc MRICS RICS Registered Valuer (Partner) and Simon Rees BSc FRICS RICS Registered Valuer (Partner).
- 2.8 A statement of the policy of this firm on the rotation of valuers, and a copy of the current practice statement on valuation reviews is available on request. We consider that, by using two valuation partners and by carrying out our internal review procedure with a further two partners there is no risk of undue influence affecting our valuations.
- 2.9 Gerald Eve LLP has detailed knowledge of these types of specialist properties and is therefore qualified to carry out these valuations.
- 2.10 The total fees earned from Guoco or its subsidiaries have never exceeded 5% of the total earnings of the firm annually, and this is not expected to change in the foreseeable future. Accordingly, we consider the proportion of the total fees payable by Guoco or its subsidiaries relative to the total fee income of the firm during the preceding financial year to be minimal.

### 3. Bases of Value, Assumptions and Special Assumptions

- 3.1 We have carried out our report and valuation in accordance with the Valuation – Global Standards 2017 of the Royal Institution of Chartered Surveyors (RICS). We refer in this report to those Global Standards and the national standards and guidance set out in RICS Valuation – Professional Standards UK January 2014 (revised April 2015) collectively “the Standards”. The RICS considers that a valuation complying with the Standards also complies with the IVS. Our Report complies with all the requirements contained in the Takeovers Code issued by the Securities and Futures Commission of Hong Kong.
- 3.2 The subject properties are located throughout the United Kingdom and are generally owner-occupied, trading as fully-equipped operational casinos and/or bingo clubs.
- 3.3 Having regard to Rank’s accounting practices, and the need to avoid double counting of assets, as instructed we have only valued the property interests and have excluded any value attributable to the business enterprise in occupation.
- 3.4 Market Value is recognised by the Standards as:
- “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*
- 3.5 Commentary on the meaning of, and implicit assumptions within, this definition is included in the Standards and a copy can be provided on request. Market Value represents the figure that would appear in a hypothetical contract of sale at the valuation date.
- 3.6 Market Value is understood as the value of a property estimated without regard to the seller’s costs of sale and without adjustment for any taxes payable by either party as a direct result of the transaction. Purchaser’s costs have not been included in our valuation. Market Value also ignores any existing mortgage, debenture or other charge over the property.



- 3.7 As instructed the property interests have been valued individually on the basis of Market Value, subject to the following special assumptions:
- the property can only be used for its existing use; and
  - the property has never been traded as an operational entity and has no trading history.
- 3.8 These special assumptions have been made to reflect owner-occupation of the property interests and to disregard any value attributable to the trading potential that attaches to and runs with a trading entity. Having regard to Rank's accounting practices and the circumstances of this valuation we consider these special assumptions are realistic, relevant and valid.
- 3.9 Unlicensed and/or unoccupied property interests which are surplus to operational requirements have been valued to Market Value, without the application of any special assumptions. The former Clermont Club casino has been valued assuming a non-casino use.
- 3.10 For the avoidance of doubt the properties have been valued individually and not as a group and, therefore, no allowance has been made to reflect the possible effect of flooding the market or lotting.
- 3.11 All monetary amounts are stated in Pounds Sterling ("GBP").
- 3.12 The general valuation assumptions made when undertaking this valuation are set out at Appendix M.

#### **4. Properties and Interests Valued**

- 4.1 Within this Report references to freehold interest includes where applicable the Scottish equivalent of feuhold/heritable. We have classified long and short leasehold interests as having an unexpired term as at the valuation date of more or less than 50 years respectively. As instructed we have not included Rank's former offices at Statesman House, Maidenhead as the leases expired on the valuation date, 31 July 2018.

- 4.2 The various freehold, long leasehold and short leasehold interests which are the subject of this valuation are described in Appendices A to L inclusive and comprise the following:

<b>The Rank Group Plc</b>	<b>Number of Properties</b>
<b>Property Interests Owner-Occupied by:</b>	
<b>Grosvenor Casinos*</b>	
(A) Freehold	4
(B) Short leasehold	44
<b>Mecca Bingo**</b>	
(C) Freehold	6
(D) Long leasehold	1
(E) Short leasehold	75
<b>Rank multi asset sites***</b>	
(F) Freehold	1
(G) Long leasehold	1
(H) Short leasehold	4
<b>Rank offices</b>	
(I) Short leasehold	2
<b>Property Interests Unoccupied and/or Surplus</b>	
(J) Freehold	2
(K) Short leasehold	6
	<hr/>
Total	146
	<hr/> <hr/>

*Notes:*

\* Grosvenor Casinos Limited and Grosvenor Casinos (GC) Limited

\*\* Mecca Bingo Limited and Luda Bingo Limited

\*\*\* Parts of these properties are sublet to other third party occupiers See Appendices A-K

<b>Clermont Leisure (UK) Limited</b>	<b>Number of Properties</b>
<b>Property Interests Unoccupied and/or Surplus</b>	
(L) Short leasehold	1
	<hr/>
Total	1
	<hr/> <hr/>

*See Appendix L*

- 4.3 Our valuations includes the legal interest in the land and buildings (including fixtures, fittings, plant and machinery which form part of the buildings), but excludes the value of the trade inventory items in the nature of tenant's fixtures, fittings furnishings and equipment, together with any value attributable to a gaming or casino licence.

- 4.4 Our valuations also include integral and adjacent sublet properties included within the property ownership as advised to us by Rank and Clermont Leisure.
- 4.5 We are advised in relation to freehold interests that the registered owner of the properties is Rank and in relation to leasehold interests that the registered freehold owners are independent third parties to the Group.
- 4.6 For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by Rank, the potential tax liabilities which may arise from the sale of properties includes capital gains tax which levies on the profit from the sale of properties at 19% in the United Kingdom. The likelihood of the potential tax liability being crystalized is considered remote for the majority of properties as we are advised that Rank as at 5 October 2018, being the latest practicable date for the purpose of ascertaining certain information for inclusion in the scheme document, has no current intention to dispose of the relevant property interests. For a small number of property interests where there is a possibility of disposal, we are advised that any capital gains tax on disposal would be covered by existing capital losses.

## **5. Valuation Date**

- 5.1 As instructed the valuation has been undertaken as at 31 July 2018.

## **6. Information Provided**

- 6.1 We have been supplied with, and relied upon, information forwarded to us by Rank and Clermont Leisure in respect of our previous valuation report dated 30 April 2013, together with updates where necessary. This information is assumed to be accurate and complete and includes the following:
- Land registry extracts for freehold property interests and copy leases for leasehold property interests
  - Schedule of current rents payable
  - Summary tenure details and schedule of current rents receivable in respect of sublet units
  - Site plans and floor plans
- 6.2 We have assumed that all information likely to have an effect on our valuations has been provided to us and that no such information has been intentionally withheld. Likewise, it is assumed the information provided to us is correct and complete. If subsequently it should transpire that information was incorrect or inadequate, the accuracy of the valuations may be affected and we reserve the right to make appropriate amendments.

**7. Inspections**

- 7.1 We have relied on our inspections carried out during January 2013 and February 2013 and on our inspections carried out in May 2013 in respect of those casinos subsequently acquired from Gala post the previous 31 January 2013 valuation date. We have also inspected a number of the properties in the course of our other work.
- 7.2 As agreed we have inspected 17 properties during July 2018, which have either been acquired since the date of our last valuation in January 2013 or where there have been material changes since then. We have also assumed that there have been no material changes to the other properties or their localities since our last inspections upon last valuation.
- 7.3 All inspections have been carried out by qualified RICS Registered Valuers. Our inspections involved an examination of each property which included the main trading areas and ancillary facilities, albeit, in some instances due to limited access we were not able to fully inspect some areas.
- 7.4 Where necessary floor areas have been measured and estimated in accordance with the RICS Code of Measuring Practice, 6th edition. Subject to reasonable on-site checking we have assumed that the floor plans provided are accurate.
- 7.5 Our inspections were for valuation purposes only and do not constitute building surveys. Accordingly, we have not made investigations into the soundness or otherwise of the building structures and fabric, or the ground conditions.
- 7.6 We draw to your attention that your instructions have limited the number of inspections. Accordingly, we are required to state that as a result of this restriction the accuracy of our valuations could be affected to the extent that, had full investigations been carried out, they may have revealed undisclosed information which would have affected our valuations.

**8. Investigations**

- 8.1 Given the nature of our instructions it has been necessary for us to make various assumptions when carrying out our valuations.
- 8.2 We have been specifically instructed not to make planning or any other statutory enquiries and have therefore assumed, in the absence of information to the contrary, that there are no unusual rights of way, Compulsory Purchase Orders, restrictive covenants or easements affecting the title to the properties and that all lease covenants have been complied with. It has also been assumed that the properties comply with all relevant planning and building control regulations and have planning permission for their current use.
- 8.3 As instructed, our inspections were carried out for valuation purposes only and we have not commissioned any environmental survey reports in this instance. We are not aware of the content of any environmental audits or other environmental investigations/soil surveys that may have been carried out on the properties and which may draw attention to contamination or the possibility of any such contamination.

- 8.4 In undertaking our work we have assumed that no contaminative or potentially contaminative uses have ever been carried out on the properties. As instructed, we have not carried out any investigations into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject properties from these uses or sites and have therefore assumed that no specific provision needs to be made for this.
- 8.5 If any of our assumptions prove to be inappropriate then the reported values may be affected.

## 9. Valuation Approach

- 9.1 Having regard to the assumptions and special assumptions in valuing the property interests we have adopted an income capitalisation approach to valuation based on the capitalisation of rental income potential from the valuation date at an appropriate investment yield in our assessment of the capital value.
- 9.2 We have assessed the rental value and capitalisation rate adopted within the valuations by reference to an analysis of comparable properties and our interpretation of prevailing investor requirements or expectations. We have applied an appropriate capitalisation rate to the rental income/profit rent (or rental loss in the case of over rented leasehold properties), based on the risks and rewards associated with the property interests and a purchaser's required rate of return. We have also reflected a potential purchaser's assessment of a day-one opportunity to acquire and occupy a property which has been designed or adapted for its specific use by making a capital addition as appropriate. In arriving at the reported values we have taken into account standard purchaser's costs.
- 9.3 In relation to the Rank multi asset sites, given the nature of the property interests being valued we have also had regard to a discounted cash flow (DCF) approach to valuation, where appropriate.
- 9.4 In some instances negatives values have arisen in the case of leasehold interests where the rent reserved under the lease exceeds market levels and/or there are onerous covenants on the lessee's part, including for example future rent reviews with fixed uplifts.
- 9.5 Our valuations exclude any value attributable to the business enterprise in occupation, together with any value attributable to the trading potential that attaches to and runs with a trading entity. For the avoidance of any doubt our valuations exclude any value attributable to a gaming or casino licence.
- 9.6 Whilst properties of this type are normally valued as fully-equipped operational entities by reference to their trading potential, we consider our approach appropriate in this instance having regard to Rank's accounting practices and the need to avoid double counting of assets. There is limited directly comparable transactional evidence available for this type of property which makes valuation in the current market relatively opinion led. Therefore, a higher degree of valuation uncertainty should be expected in comparison with the valuation of regularly traded property types for which there is relevant comparable evidence.

9.7 Our valuations have been made on the assumption that the owner sells the property interests on the open market without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would affect the values of the property interests. The reported Market Values reflect the fact that the property interests would be sold with vacant possession in their existing state.

## 10. Valuations

10.1 In accordance with the facts, special and other assumptions and qualifications set out in this Valuation Report, we are of the opinion that the aggregate individual Market Values of the 146 freehold, long and short leasehold interests in the Rank properties as at 31 July 2018 amount to:

**£90,630,000**

**(Ninety Million Six Hundred and Thirty Thousand Pounds Sterling)**

10.2 The aggregate reported value for the Rank properties is made up as follows:

Property Category	<i>No</i>	Positive Values GBP £	Negative Values GBP £
<b>Grosvenor Casinos</b>			
Freehold	4	£11,200,000	£0
Short leasehold	44	£60,090,000	-£14,350,000
<b>Mecca Bingo</b>			
Freehold	6	£14,255,000	£0
Long leasehold	1	£2,250,000	£0
Short leasehold	75	£30,940,000	-£3,000,000
<b>Rank multi asset sites</b>			
Freehold	1	£10,325,000	£0
Long leasehold	1	£0	-£4,500,000
Short leasehold	4	£775,000	-£2,650,000
<b>Rank offices</b>			
Short leasehold	2	£0	-£2,355,000
<b>Property Interests Unoccupied and/or Surplus</b>			
Freehold	2	£0	£0
Short leasehold	6	£0	-£12,350,000
<b>Aggregate Totals</b>	<b>146</b>	<b>£129,835,000</b>	<b>-£39,205,000</b>

- 10.3 In accordance with the facts, other assumptions and qualifications set out in this Valuation Report, we are of the opinion that the individual Market Value of the short leasehold interest in the Clermont Leisure property as at 31 July 2018 amounts to:

**-£2,000,000**

**(Minus Two Million Pounds Sterling)**

- 10.4 It should be noted values change over time and that a valuation given on a particular date may not be valid on an earlier or later date, when both market conditions and sale circumstances may be different. It should also be remembered that values can fall as well as rise.

## **11. Limitations on Our Liability**

- 11.1 Our maximum liability for all advice and services provided in connection with this instruction, both before or after the date of this valuation report, to Guoco, your shareholders and any other party who may seek to rely on our advice shall not in the aggregate exceed £10,000,000 (ten million pounds). This limitation shall apply to you (together with any Associated Person as identified in our Terms of Engagement for whom you are acting as agent in relation to the Contract) on any basis for any losses, damages, costs or expenses (“losses”) arising from or in connection with our services in relation to this instruction.

## **12. Reliance and Publication**

- 12.1 Our valuation is dependent on the accuracy of the information which has been supplied to us and upon the assumptions set out herein. If any of these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.
- 12.2 This Report may be relied upon by the Addressee and their professional advisors for the stated purpose only. No reliance may be placed upon the contents of this Report by any other party or by the Addressee for any purpose other than in connection with the stated purpose. Neither this Report, nor any part thereof, may be reproduced or referred to, in any document, circular or statement, nor may its contents, or any part thereof, be disclosed orally, or otherwise to a third party, without our prior written approval as to the form and context of such publication or disclosure.
- 12.3 We confirm our consent has been given for this Report to be made available for inspection in connection with the proposed privatisation of Guoco as announced on 2 July 2018 on the Stock Exchange of Hong Kong Limited.

12.4 In accordance with the Standards we are also required to draw your attention to the possibility that our valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

Yours faithfully

**Daniel Anning MA MRICS**  
RICS Registered Valuer  
Partner

For and on behalf of Gerald Eve LLP  
0207 333 6374  
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**Andrew Buxton BSc MPhil MRICS**  
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*Daniel Anning is an RICS Registered Valuer and Member of the Royal Institution of Chartered Surveyors. He is a Partner and co-head of the Leisure Department of Gerald Eve LLP and has over 20 years' experience of valuing licensed and leisure properties throughout the United Kingdom.*

*Andrew Buxton is an RICS Registered Valuer and Member of the Royal Institution of Chartered Surveyors. He is a Partner of the Leisure Department of Gerald Eve LLP and has over 20 years' experience of valuing licensed and leisure properties throughout the United Kingdom.*

Gerald Eve LLP is a limited liability partnership registered in England and Wales (registered number OC339470) and is regulated by the RICS. The term partner is used to refer to a member of Gerald Eve LLP or an employee or consultant with equivalent standing and qualifications. A list of members and non-members who are designated as partners is open to inspection at our registered office; 72 Welbeck Street, London W1G 0AY and on our website.



## SUMMARY OF VALUES

## Appendix A Casino Freehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
4 properties located throughout the United Kingdom	<p>The properties comprise various traditional and flat floor casinos with a total floor area of approximately:</p> <p style="text-align: right;">112,300 (ft<sup>2</sup>) 10,430 (m<sup>2</sup>)</p> <p>The properties are held freehold (feuhold/heritable in Scotland) by Grosvenor Casinos Limited. Grosvenor Casinos Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.0% attributable interest.</p>	<p>The properties are currently occupied by Grosvenor Casinos Limited and Grosvenor Casinos (GC) Limited as operational casinos</p>	4 properties: £11,200,000	52.0%	£5,824,000

**Details of Ownership:****Bristol**

The property is located at 266 Anchor Road, Bristol BS1 5TT and is held freehold.

There is a car park held under a separate arrangement at an annual rent of £14,897 per annum.

**Great Yarmouth**

The property is located at Shadingfield Lodge, Marine Parade, Great Yarmouth NR30 3JG and is held freehold.

The land adjacent is held on a long leasehold basis for 999 years from 25 March 1860 at a peppercorn rent.

**Hull**

The property is located at 15-16 Dock Street, Hull HU1 3DL and is held freehold.

**Sheffield**

The property is located at 87 Duchess Road, Sheffield S2 4BG and is held freehold.

There is a sublease at a passing rent of £100,000 pa comprising upper floors and expiring on 20 January 2019.

## SUMMARY OF VALUES

## Appendix B Casino Short Leasehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
44 properties located throughout the United Kingdom	The properties comprise various traditional and flat floor casinos with a total floor area of approximately:	The properties are currently occupied by Grosvenor Casinos Limited and Grosvenor Casinos (GC)	38 properties £60,090,000	52.0%	£31,246,800
	945,100 (ft <sup>2</sup> ) 87,800 (m <sup>2</sup> )	Limited as operational casinos	6 properties -£14,350,000	52.0%	-£7,462,000
	The properties are held short leasehold and are leased from various landlords (independent third parties to the Guoco Group) by Rank for various terms with a total annual rent of:				
	£21,508,833 pa £1,792,403 pcm				

**Details of Properties:**

<b>Aberdeen:</b>	The property is located at 5 Exchequer Row, Aberdeen AB11 5BW
<b>Birmingham:</b>	The property is located at Fiveways Leisure Complex, Broad Street, Birmingham B15 1AY
<b>Birmingham – Hill Street:</b>	The property is located at 84 Hill Street, Birmingham B5 4AH
<b>Blackpool:</b>	The property is located at The Sandcastle, Promenade, Blackpool FY4 1BB
<b>Bolton:</b>	The property is located at Ormrod Street, Bolton BL3 5DJ
<b>Bournemouth:</b>	The property is located at 48 Westover Road, Bournemouth BH1 2BZ
<b>Brighton:</b>	The property is located at 9 Grand Junction Road, Brighton BN1 1PP
<b>Cardiff:</b>	The property is located at The Red Dragon Centre, Atlantic Wharf, Hemingway Road, Cardiff CF10 4JY
<b>Coventry:</b>	The property is located at Ricoh Arena, Phoenix Way, Coventry CV6 6GE
<b>Didsbury:</b>	The property is located at Parrswood Entertainment Centre, Wilmslow Road, Manchester M20 5PG
<b>Dundee:</b>	The property is located at 142 West Marketgait, Dundee DD1 1NJ
<b>Edinburgh:</b>	The property is located at 1-5 South Maybury, Edinburgh EH12 8NE
<b>Glasgow – Merchant City:</b>	The property is located at 16-18 Glassford Street, Glasgow, G1 1UL
<b>Glasgow – Riverboat:</b>	The property is located at 61 Broomielaw, Glasgow G1 4RJ
<b>Huddersfield:</b>	The property is located at Folly Hall Mills, St Thomas Road, Huddersfield, West Yorkshire HD1 3LT

<b>Leeds Westgate:</b>	The property is located at Wellington Bridge Street, Leeds LS3 1LW
<b>Leicester:</b>	The property is located at 90 Highcross Street, Leicester LE1 4NN
<b>Liverpool Leo:</b>	The property is located at 44 Chaloner Street, Liverpool L3 4BF
<b>London – Gloucester Rd:</b>	The property is located at 4-18 Harrington Gardens, London SW7 4LJ
<b>London – Golden Horseshoe:</b>	The property is located at 79-81 Queensway, London W2 4QH
<b>London – Park Tower:</b>	The property is located at 101 Knightsbridge, London SW1X 7RQ
<b>London – Rialto:</b>	The property is located at 3-4 Coventry Street, London W1D 6BL
<b>London – Russell Square:</b>	The property is located at 61-66 Russell Square, London WC1B 5JS
<b>London – St Giles:</b>	The property is located at 262 Tottenham Court Road, London W1T 7RG
<b>London – The Barracuda:</b>	The property is located at 1 Baker Street, London W1U 8ED
<b>London – Victoria:</b>	The property is located at 150-162 Edgware Road, London W2 2DT
<b>Luton:</b>	The property is located at 35 Park Street West, Luton LU1 3BE
<b>Manchester – G Casino:</b>	The property is located at 2 Ramsgate Street, Manchester M8 9SG
<b>Manchester – George St:</b>	The property is located at 35/39 George Street, Manchester M1 4HQ
<b>Newcastle:</b>	The property is located at 100 St. James Boulevard, Newcastle Upon Tyne NE1 4BN
<b>Northampton:</b>	The property is located at Regent Street, Northampton NN1 2LA
<b>Nottingham:</b>	The property is located at 4 Maid Marrian Way, Nottingham NG1 6HS
<b>Plymouth:</b>	The property is located at 15 Derrys Cross, Plymouth PL1 2SW
<b>Portsmouth:</b>	The property is located at Gunwharf Quays, Portsmouth PO1 3TW
<b>Reading:</b>	The property is located at Queens Road, Reading RG1 4SY
<b>Reading – G Casino:</b>	The property is located at Rose Kiln Lane, Reading RG2 0SN
<b>Salford:</b>	The property is located at 5 Derwent Street, Salford M5 4SW
<b>Scarborough:</b>	The property is located at 26 Newborough, Scarborough, North Yorkshire YO11 1NA
<b>Southend:</b>	The property is located at Park Inn Palace Hotel, Church Road, Southend-on-Sea, Essex SS1 2AL
<b>Stockport:</b>	The property is located at 59 Wellington Street, Stockport SK1 3AD
<b>Sunderland:</b>	The property is located at 6 Lambton Street, Sunderland SR1 1TP
<b>Swansea:</b>	The property is located at 15-16 High Street, Swansea SA1 1LF
<b>Thanet:</b>	The property is located at Margate Road, Broadstairs, Kent CT10 2BF
<b>Walsall:</b>	The property is located at Bentley Mill Way, Walsall WS2 0LE

## SUMMARY OF VALUES

## Appendix C Bingo Freehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
6 properties located throughout the United Kingdom	<p>The properties comprise various traditional and modern flat floor bingo clubs with a total floor area of approximately:</p> <p style="text-align: right;">166,600 (ft<sup>2</sup>) 15,480 (m<sup>2</sup>)</p> <p>The properties are held freehold (feuhold/heritable in Scotland) by Mecca Bingo Limited. Mecca Bingo Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.0% attributable interest.</p>	The properties are currently occupied by Mecca Bingo Limited as operational bingo clubs	6 properties £14,255,000	52.0%	£7,412,600

**Details of Ownership:****Chester**

The property is located at Brookdale Place, Chester, Cheshire CH1 3DY and is held freehold.

There are two subleases including a 5 year lease expiring on 2 April 2022 at a passing rent of £10,000 per annum and another 5 year lease at a passing rent of £15,000 per annum.

**Halifax**

The property is located at Broad Street, Halifax, West Yorkshire HX1 1YA and is held freehold.

**Plymouth, Devonport**

The property is located at Fore Street, Devonport, Plymouth, Devon PL1 4DN and is held freehold.

**Stevenage**

The property is located at Danestrete, Stevenage, Hertfordshire SG1 1XB and is held freehold.

**Sunderland**

The property is located at Holmeside, Sunderland, Tyne & Wear SR1 3PD and is held freehold.

**Wednesbury Cross**

The property is located at Dudley Street, Wednesbury, West Midlands WS10 7DR and is held freehold.

## SUMMARY OF VALUES

## Appendix D Bingo Long Leasehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
1 property located in the United Kingdom	<p>The property comprises a converted flat floor bingo club with a total floor area of approximately:</p> <p style="text-align: right;">20,600 (ft<sup>2</sup>) 1,910 (m<sup>2</sup>)</p> <p>The property is held long leasehold and is leased from a landlord (an independent third party) by Mecca Bingo Limited. Mecca Bingo Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.0% attributable interest.</p>	The property is currently occupied by Mecca Bingo Limited as an operational bingo club	1 property £2,250,000	52.0%	£1,170,000

**Tenure Terms:****Harlow**

The property is located at Terminus House, Terminus Street, Harlow, Essex CM20 1XA and is held long leasehold.

There are approximately 53 years to expiry on 3 June 2071 at a passing rent of one peppercorn per annum plus a service charge. There are no rent reviews.

## SUMMARY OF VALUES

## Appendix E Bingo Short Leasehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
75 properties located throughout the United Kingdom	The properties comprise various traditional and modern flat floor bingo clubs with a total floor area of approximately:  2,257,700 (ft <sup>2</sup> ) 209,740 (m <sup>2</sup> )  The properties are held short leasehold and are leased from various landlords (independent third parties to the Guoco Group) by Rank for various terms with a total annual rent of:  £19,425,839 pa £1,618,820 pcm	The properties are currently occupied by Mecca Bingo Limited as operational bingo clubs	61 properties £30,940,000  14 properties -£3,000,000	52.0%  52.0%	£16,088,800  -£1,560,000

## Details of Properties:

<b>Aberdeen:</b>	The property is located at Unit 2, Centre Point, Berryden Road, Aberdeen, Aberdeenshire AB25 3SQ
<b>Acocks Green:</b>	The property is located at Stockfield Road, Acocks Green, Birmingham B27 6BB
<b>Andover:</b>	The property is located at Junction Road, Andover, Hampshire SP10 3QT
<b>Ayr:</b>	The property is located at 4 Boswell Park, Ayr, Strathclyde KA7 1NW
<b>Bedford:</b>	The property is located at 57 London Road, Bedford, Bedfordshire MK42 0NX
<b>Beeston:</b>	The property is located at 183 Queens Road, Beeston, Nottingham NG9 2FE
<b>Bilston:</b>	The property is located at Spring Vale Retail Park, Bilston, West Midlands WV14 0QL
<b>Birkenhead:</b>	The property is located at 5 Europa Centre, Europa Square, Birkenhead, Merseyside CH41 4PF
<b>Blackpool:</b>	The property is located at Talbot Road, Blackpool, Lancashire FY1 3QX
<b>Blyth:</b>	The property is located at Rink Street, Blyth, Northumberland NE24 1AL
<b>Bolton:</b>	The property is located at Ormrod Street, Bolton BL3 5DJ
<b>Bridgwater:</b>	The property is located at Penel Orlieu, Bridgwater, Somerset TA6 3PH
<b>Brierley Hill:</b>	The property is located at 35-47 High Street, Brierley Hill Dudley, West Midlands DY5 3AB
<b>Burton-on-Trent:</b>	The property is located at Middle Yard Leisure Park, Guild Street, Burton-On-Trent, Staffordshire DE14 1NQ
<b>Camden Town:</b>	The property is located at 180 Arlington Road, Camden Town, London NW1 7HL
<b>Catford:</b>	The property is located at Unit 4, Catford Island, Plassy Road, Catford, London SE6 2DD

<b>Chesterfield:</b>	The property is located at Foljambe Road, Chesterfield, Derbyshire S40 1NJ
<b>Crewe:</b>	The property is located at Unit 3, Phoenix Leisure Park, Dunwoody Way, Crewe, Cheshire CW1 3AJ
<b>Croydon:</b>	The property is located at Croydon Centrale, 80 Tamworth Road, Croydon, Surrey CR0 1XX
<b>Cwmbran:</b>	The property is located at 18 Monmouth Walk, Cwmbran Shopping Centre, Cwmbran, Gwent NP44 1PE
<b>Dagenham:</b>	The property is located at Dagenham Leisure Park, Cook Road, Dagenham, Essex RM9 6UQ
<b>Dewsbury:</b>	The property is located at Railway Street, Dewsbury, West Yorkshire WF12 8EQ
<b>Doncaster:</b>	The property is located at 1c East Laith Gate, Doncaster, South Yorkshire DN1 1JG
<b>Dundee – Douglasfield:</b>	The property is located at Eclipse Leisure Park, Douglas Road, Dundee DD4 8JX
<b>Dundee – Playhouse:</b>	The property is located at The Playhouse, 104-110 Nethergate, Dundee DD1 4EH
<b>Ellesmere Port:</b>	The property is located at 49 Marina Drive, Ellesmere Port, Cheshire CH65 0AN
<b>Eltham Hill:</b>	The property is located at Eltham Hill, London SE9 5ED
<b>Exeter:</b>	The property is located at 12 North Street, Exeter, Devon EX4 3QS
<b>Gateshead:</b>	The property is located at East Street, Gateshead, Tyne & Wear NE8 3AR
<b>Glasgow – Drumchapel:</b>	The property is located at 3 Allerdyce Court, Great Western Road, Drumchapel, Glasgow G15 6SA
<b>Glasgow – Forge:</b>	The property is located at Forge III, 1221 Duke Street, Glasgow G31 5NZ
<b>Glasgow – Rutherglen:</b>	The property is located at 58 Main Street, Rutherglen, Glasgow G73 2HY
<b>Glasgow – The Quay:</b>	The property is located at Springfield Quay, Paisley Road, Glasgow G5 8NP
<b>Gloucester:</b>	The property is located at 54 Eastgate Street, Gloucester, Gloucestershire GL1 1QN
<b>Greenock:</b>	The property is located at Container Way, Greenock, Strathclyde PA15 1PX
<b>Hamilton:</b>	The property is located at 17 Douglas Park Lane, Hamilton, Lanarkshire ML3 0DF
<b>Hartlepool:</b>	The property is located at The Lanyard, Warrior Retail Park, Hartlepool, Cleveland TS24 0XS
<b>Hayes:</b>	The property is located at 466-468 Uxbridge Road, Hayes, Middlesex UB4 OSD
<b>Huddersfield:</b>	The property is located at Folly Hall Mills, St. Thomas Road, Huddersfield, West Yorkshire HD1 3LT
<b>Hull – Cecil:</b>	The property is located at The Cecil, 9b Analaby Road, Hull, North Humberside HU1 2NR
<b>Hull – Clough Rd:</b>	The property is located at Clough Road, Hull, North Humberside HU6 7PE
<b>Ipswich:</b>	The property is located at Lloyds Avenue, Ipswich, Suffolk IP1 3HT
<b>Kingstanding:</b>	The property is located at Kettlehouse Road, Kingstanding, Birmingham B44 9JD
<b>Leeds – Cross Gates Rd:</b>	The property is located at Cross Gates Road, Leeds LS15 7PE
<b>Leeds – Hunslet:</b>	The property is located at Balm Road, Hunslet, Leeds LS10 2HU
<b>Leeds – Mayfair:</b>	The property is located at 50 New York Street, Leeds LS2 7DY
<b>Leith Capitol:</b>	The property is located at 26 Manderston Street, Edinburgh EH6 8LY
<b>Liverpool Knotty Ash:</b>	The property is located at 439 East Prescott Road, Knotty Ash, Liverpool L14 2DE
<b>Lounge Leeds:</b>	The property is located at Units 1 & 2, The Cube, Albion Street, Leeds LS2 8ER
<b>Lounge Walsall:</b>	The property is located at 9-11 Park Street, Walsall WS1 1LY

<b>Lounge Weston:</b>	The property is located at Unit 3, 8 Dolphin Square, Weston-Super-Mare BS23 1TU
<b>Luton:</b>	The property is located at Skimpot Road, Luton, Bedfordshire LU4 0JB
<b>Manchester:</b>	The property is located at 477 Hyde Road, Gorton, Manchester M12 5FL
<b>Norwich:</b>	The property is located at Norwood Rooms, 285 Aylsham Road, Norwich, Norfolk NR3 2RE
<b>Oldham:</b>	The property is located at 24/28 King Street, Oldham, Lancashire OL8 1DR
<b>Paisley:</b>	The property is located at 8 Saucel Crescent, Paisley, Glasgow PA1 1UB
<b>Rochdale:</b>	The property is located at Smith Street, Rochdale, Lancashire OL16 1YH
<b>Rosehill:</b>	The property is located at Bishopsford Road, Rosehill, Morden, Surrey SM4 6BP
<b>Rotherham:</b>	The property is located at Corporation Street, Rotherham, South Yorkshire S60 1NG
<b>Sale:</b>	The property is located at 56 Washway Road, Sale, Cheshire M33 7RA
<b>Scarborough:</b>	The property is located at Scarborough Capitol, Albemarle Crescent, Scarborough, North Yorkshire YO11 1XS
<b>Sheffield:</b>	The property is located at Flat Street, Sheffield, South Yorkshire S1 2BA
<b>Sittingbourne:</b>	The property is located at High Street, Sittingbourne, Kent ME10 4PG
<b>Southend:</b>	The property is located at Greyhound Trading Park, Greyhound Way, Southend-On-Sea, Essex SS2 5PY
<b>Southport:</b>	The property is located at Garrick Parade, Lord Street, Southport, Merseyside PR8 1RN
<b>St Helens:</b>	The property is located at 20 Kirkland Street, St. Helens, Merseyside WA10 2EG
<b>Swansea:</b>	The property is located at Parc Cymdu, Carmarthen Road, Cymdu, Swansea, West Glamorgan SA5 8LJ
<b>Taunton:</b>	The property is located at Corporation Street, Taunton, Somerset TA1 4AH
<b>Telford:</b>	The property is located at Southwater Square, St. Quentin Gate, Town centre, Telford, Shropshire TF3 4EJ
<b>Thanet:</b>	The property is located at Unit 46, Westwood Cross, Margate Road, Broadstairs, Kent CT10 2BF
<b>Wakefield:</b>	The property is located at Westgate Retail & Leisure Park, Colinsway, Wakefield, West Yorkshire WF2 9SH
<b>Wishaw:</b>	The property is located at The Playhouse, Kirk Road, Wishaw, Lanarkshire ML2 7BL
<b>Wood Green:</b>	The property is located at 707-725 Lordship Lane, Wood Green, London N22 5JY
<b>Wrexham:</b>	The property is located at Smithfield Road, Wrexham LL13 8EN
<b>York:</b>	The property is located at Fishergate, York, North Yorkshire YO10 4AR



## SUMMARY OF VALUES

## Appendix F Multi Asset Freehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
1 property located in the United Kingdom	<p>The property comprises a modern floor bingo club, a modern flat floor casino a purpose built restaurant unit and shared parking facilities with a total floor area of:</p> <p style="text-align: right;">65,500 (ft<sup>2</sup>) 6,080 (m<sup>2</sup>)</p> <p>The property is held freehold (feuhold/heritable in Scotland) by Rank.</p>	<p>The property is currently occupied by Mecca Bingo Limited and Grosvenor Casinos Limited as an operational bingo club and casino</p>	1 property £10,325,000	52.0%	£5,369,000

**Details of Ownership:****Stockton**

The property is located at 4 Chandlers Wharf, Bridge Road, Stockton-On-Tees TS18 3BA and is held freehold. A restaurant is sublet on a term expiring in June 2026 at a rent of £61,000 per annum.

## SUMMARY OF VALUES

## Appendix G Multi Asset Long Leasehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
1 property located in the United Kingdom	<p>The property comprises a multi leisure building comprising cinema, vacant nightclub, bingo club and dance studio with a total floor area of approximately:</p> <p style="text-align: right;">81,000 (ft<sup>2</sup>) 7,520 (m<sup>2</sup>)</p> <p>The property is held long leasehold and is leased from a single landlord (an independent third party to the Guoco Group) by Rank.</p>	The property is currently occupied by Mecca Bingo Limited and is part sublet to other third party occupiers	1 property -£4,500,000	52.0%	-£2,340,000

**Tenure Terms:****Romford**

The property is located at The Mercury Mall, Mercury Gardens, Romford, Essex RM1 3EE and is held long leasehold.

There are approximately 97.5 years to expiry on 11 December 2115 with a rent payable of a peppercorn and no provision for review. There is a significant service charge payable with the current liability at approximately £600,000 per annum. The tenant has an option to break the lease on the 50th year (in December 2040) and every 10th year thereafter subject to 12 months' prior notice. There are two sub-leases with one until March 2030 at a base rent of approximately £60,000 per annum and the other which can be terminated at any time at a rent of £26,000 per annum.

## SUMMARY OF VALUES

## Appendix H Multi Asset Short Leasehold Property Interests held by The Rank Group Plc

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
4 properties located in the United Kingdom	The properties comprise four multi asset sites comprising modern flat floor bingo clubs, casinos and various sublet elements together with a total floor area of:  318,200 (ft <sup>2</sup> ) 29,560 (m <sup>2</sup> )  The properties are held short leasehold and are leased from various landlords (independent third parties to the Guoco Group) by Rank for various terms with a total annual rent of:  £3,598,928 pa £299,911 pcm	The properties are currently occupied by Mecca Bingo Limited and Grosvenor Casinos Limited as a operational bingo clubs and casinos	2 properties £775,000  2 properties -£2,650,000	52.0%  52.0%	£403,000  -£1,378,000

**Details of Properties:**

<b>Leicester:</b>	The property is located at Freeman's Park, 80 Aylestone Road, Leicester LE2 7LB
<b>Oldbury:</b>	The property is located at 50 Halesowen Street, Oldbury, West Midlands B69 2AN
<b>Southampton:</b>	The property is located at West Quay Road, Southampton SO15 1RE
<b>Stoke:</b>	The property is located at The Octagon Retail Park, New Century Street, Stoke-on-Trent ST1 5RR

## SUMMARY OF VALUES

## Appendix I Office Short Leasehold Property Interests held by The Rank Group Plc

Property	Details of Occupancy	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
2 properties located in the United Kingdom	<p>The properties comprise purpose built office premises with a total floor area of approximately:</p> <p style="text-align: right;">48,800 (ft<sup>2</sup>) 4,530 (m<sup>2</sup>)</p> <p>The properties are held short leasehold and are leased from landlords (independent third parties to the Guoco Group) by Rank for various terms with a total annual rent of:</p> <p style="text-align: right;">£1,432,178 pa £119,348 pcm</p>	The properties are currently occupied by Rank as administrative offices	2 properties -£2,355,000	52.0%	-£1,224,600

**Details of Properties:****Maidenhead, TOR:**

The property is located at TOR, Saint-Cloud Way, Maidenhead SL6 8BN

**Sheffield, Call Centre:**

The property is located at Navigation House, South Quay Drive, Sheffield, S2 5SU

## SUMMARY OF VALUES

**Appendix J Unoccupied and/or Surplus Freehold Property Interests held by The Rank Group Plc**

<u>Property</u>	<u>Description and Tenure</u>	<u>Details of Occupancy</u>	<u>Market Value as at 31 July 2018 GBP £</u>	<u>Interest Attributable to Guoco (%)</u>	<u>Market Value Attributable to Guoco as at 31 July 2018 GBP £</u>
2 properties located throughout the United Kingdom	The properties comprise residential and commercial premises which are subject to long leases without any rental income  The properties are held freehold (feuhold/heritable in Scotland) by Rank.	The properties are currently occupied by third parties on a long leasehold basis	2 properties £0	52.0%	£0

**Details of Ownership:****5 Preston St, Brighton**

The property is located at 5 Preston Street, Brighton BN1 4QE and is held freehold.

**Bannister Road, Southampton**

The property is located at Land and Buildings, Court Road, off Banister Road, Southampton SO15 2JR and is held freehold.

## SUMMARY OF VALUES

**Appendix K Unoccupied and/or Surplus Short Leasehold Property Interests held by The Rank Group Plc**

<u>Property</u>	<u>Description and Tenure</u>	<u>Details of Occupancy</u>	<u>Market Value as at 31 July 2018 GBP £</u>	<u>Interest Attributable to Guoco (%)</u>	<u>Market Value Attributable to Guoco as at 31 July 2018 GBP £</u>
6 properties located in the United Kingdom	<p>The properties comprise various vacant former bingo clubs and casinos with a total floor area of approximately:</p> <p style="text-align: right;">167,700 (ft<sup>2</sup>) 15,580 (m<sup>2</sup>)</p> <p>The properties are held short leasehold and are leased from various landlords (independent third parties to the Guoco Group) by Rank for various terms with a total annual rent of:</p> <p style="text-align: right;">£1,593,642 pa £132,804 pcm</p>	The properties are surplus to operational requirements and are currently unoccupied or sublet.	6 properties -£12,350,000	52.0%	-£6,422,000

**Details of Properties:**

<b>Ashford:</b>	The property is located at 33 High Street, Ashford, Kent TN24 8TF
<b>Bradford:</b>	The property is located at Vicar Lane, Bradford BD1 5LD
<b>Bristol:</b>	The property is located at 1 Barrow Court, Barrow Road, Barton Hill, Bristol BS5 0HU
<b>Glasgow Princes:</b>	The property is located at 528 Sauchiehall Street, Glasgow G2 3LW
<b>New Brighton:</b>	The property is located at 18 Marine Point, Kings Parade, New Brighton, Wallasey, Wirral CH45 2PB
<b>West Bromwich:</b>	The property is located at Unit 6, Astle Park, West Bromwich, West Midlands B70 8NS.

## SUMMARY OF VALUES

## Appendix L Unoccupied and/or Surplus Short Leasehold Property Interests held by Clermont Leisure (UK) Limited

Property	Description and Tenure	Details of Occupancy	Market Value as at 31 July 2018 GBP £	Interest Attributable to Guoco (%)	Market Value Attributable to Guoco as at 31 July 2018 GBP £
1 property located in the United Kingdom	<p>The property comprises a former central London casino with a floor area of approximately:</p> <p style="text-align: right;">5,500 (ft<sup>2</sup>) 510 (m<sup>2</sup>)</p> <p>The property is held short leasehold from a single landlord (an independent third party to the Guoco Group) by The Clermont Club Limited for 26 years from June 2010 at a total annual rent of:</p> <p style="text-align: right;">£600,000 pa £50,000 pcm</p>	The property is surplus to operational requirements and is currently unoccupied	1 property -£2,000,000	67.6%	-£1,352,000

**Details of Property:****Clermont Club:**

The property is located at 44 Berkeley Square, London W1J 5AR

**Appendix M General Valuation Assumptions**

These are the general terms and conditions upon which our valuation and Report are prepared, unless agreed otherwise in writing or stated otherwise in the body of this report. The below terms and conditions are written in the singular. Where the reported valuation(s) refer to two or more properties these terms and conditions should also be taken to apply in the plural.

***Bases of Valuation***

We have carried out our report and valuation in accordance with the Valuation – Global Standards 2017 of the Royal Institution of Chartered Surveyors (RICS). We refer in this Report to those Global Standards and the national standards and guidance set out in RICS Valuation – Professional Standards UK January 2014 (revised April 2015) collectively “the Standards”. In accordance with the Standards, we have valued on the basis of Market Value subject to any special assumptions, which are set out herein. The definition of this valuation basis is given below:

***Market Value (MV):***

VPS 4 (4) of the Standards defines Market Value as (as defined in IVS 104 paragraph 30.1):

*“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.”*

A full commentary on the meaning of and implicit assumptions within this definition is included in the Standards and we can provide a copy of this on request.

***Valuation Assumptions:***

We have made the following assumptions:

1. All valuations are carried out in accordance with the Valuation – Global Standards 2017 of the Royal Institution of Chartered Surveyors (RICS). We refer in this report to those Global Standards and the national standards and guidance set out in RICS Valuation – Professional Standards UK January 2014 (revised April 2015) collectively “the Standards”.
2. All information supplied to us by Rank, yourselves, or your professional advisers, or any other named party, is assumed to be correct and complete.
3. We have relied on confirmation by the relevant entities within the Group on its title to and attributable interest in the property. We have not had access to the title deeds of the property and are therefore unable to comment as to whether they are free from, for example, any onerous or unusual covenants, restrictions, outgoing, or statutory notices likely to have an adverse effect upon the value of the property. We have assumed for the purpose of our valuation that none of the above exist.
4. Generally, plans and maps provided for identification purposes only are reproductions of Ordnance Survey maps with the sanction of the Controller of HM Stationery Office, Crown Copyright reserved, and are based on a scale of 1:1,250 or are location maps based on a scale of 1:50,000 and provided by Promap.



5. All the covenants in any Headleases have been complied with and there are no disputes with the Lessors or notices received from the Lessors or Lessees which would adversely affect the valuation.
6. Unless our enquiries have indicated otherwise, it is assumed the property's use is duly authorised or established with the local planning authority and that no adverse planning conditions or restrictions apply. It should be noted that employees or Town Planning Departments now give information on the basis that it should not be relied upon and, therefore, we advise that formal searches are undertaken if greater certainty is required.
7. It is assumed that each property is not occupied and used with, nor that the premises have been, or are, being, put to any contaminative use. This might reduce the values now reported.
8. In the absence of any information to the contrary, no allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.
9. The Landlord and Tenant Act 1987 gives certain rights to residential tenants to acquire the freehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore any sale on the open market is unrestricted.
10. We have inspected and carried out a measured survey of the property in accordance with the Code of Measuring Practice (6th Edition) prepared by the Royal Institution of Chartered Surveyors. Unless otherwise stated, it is assumed that the building has been constructed and is being occupied and used with all requisite consents and in compliance with valid Town Planning and Building Regulations approval and has the benefit of a current Fire Certificate and that the property complies with all relevant statutory regulations.
11. We have not undertaken a building survey, nor have we tested any services or inspected woodwork or other parts of the structure, which are covered, unexposed or inaccessible. Therefore these parts are assumed to be in good repair and condition and the services in full working order.
12. The Government requires an Energy Performance Certificate (EPC) to be produced for property transactions including the sale, rent or construction of both residential and non-residential dwellings. For the purposes of this valuation we have not been provided with a copy of an EPC for the premises. Our valuation is based on the assumption that any transaction will be conducted in accordance with the aforementioned legislation.
13. We have not arranged for any investigation to determine whether high alumina cement concrete, calcium chloride additive, blue asbestos or any other deleterious or hazardous material has been used in the construction, and we cannot therefore confirm that the property is free from risk in this regard. Our valuation has been prepared on the assumption that any investigation would not reveal the presence of such materials.

14. We have not undertaken any site investigation, geological, mining or geophysical survey and therefore cannot clarify whether the ground has sufficient load-bearing strength to support any of the existing buildings or any other constructions that may be erected in the future.
15. We have not included plant and machinery not forming part of the service installations of the building. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Furthermore, no account of any goodwill, that may arise from the present occupation of the property, is allowed for in our valuation.
16. This report gives no warranties as to the condition of the structure, foundations, soil and services.
17. We have not instigated any environmental audit or other environmental investigation or soil survey on the property which may evidence any contamination or the possibility of any such contamination. Therefore we have assumed that there has been no contaminative or potentially contaminative uses ever carried out in the property. Should it be established that contamination, seepage or pollution exists at the property or on any neighbouring land or that the premises have been, or are being, put to a contaminative use (unless stated otherwise in our report) then this might affect the values stated in the report.
18.
  - i) There are no abnormal ground conditions, archaeological remains, or hazardous or deleterious materials present which might adversely affect the present or future occupation, development or value of the property;
  - ii) The property is free from rot, infestation, structural or design defect;
  - iii) No high alumina cement or other currently known prohibited or suspect materials or techniques have been used in the construction of, or any subsequent alterations or additions to, the property;
  - iv) The property is not contaminated and is not adversely affected by the Environmental Protection Act 1990 or any other environmental law; and
  - v) Any processes carried out on the property which are regulated by environmental legislation are properly licensed by the appropriate authorities and operated in accordance with the licence.

If any of the above assumptions prove to be inappropriate, then the value of the property concerned may be lower

19. We have not included any allowance in our valuation for works that might become necessary to enable access for disabled persons under the Equality Act 2010.

20. In respect of commercial and residential premises valued on a yield basis, the Market Value reported is the gross amount paid for the subject interest, less an allowance for standard purchasers costs, calculated as 1.8% in respect of agents’ and legal fees, together with stamp duty liability, as follows:

<b>Commercial &amp; Mixed Use</b>		<b>Residential</b>	
Charged at different rates depending on the portion of the purchase price that falls within each rate band:		Charged at different rates depending on the portion of the purchase price that falls within each rate band:	
Up to £150,000	0%	Up to £125,000	0%
£150,001 to £250,000	2%	£125,001 to £250,000	2%
Over £250,001	5%	£250,001 to £925,000	5%
		£925,001 to £1,500,000	10%
		Over £1,500,001	12%
		Company > £500,000	15%

21. We have taken no account of any other taxation liability that may arise on disposal, nor of any costs associated with either acquisition or disposal incurred by the owner. In addition, no allowance has been made to reflect any liability to repay any government or other grants or taxation allowance that may arise on disposal.

22. Unless stated to the contrary, all rental and capital values stated are exclusive of VAT at the prevailing rate.

23. Our valuation report has been based upon a number of assumptions stated therein. If any assumptions are proved to be incorrect, we wish to reserve the right to alter our opinion of value accordingly.

**Appendix N Abbreviations**

Abbreviations used within our reports are defined below.

ADR	Average Daily Rate
AGA	Authorised Guarantee Agreement
AST	Assured Shorthold Tenancy
BREEAM	Building Research Establishment Environmental Assessment Method
EPC	Energy Performance Certificate
FF&E	Furniture, Fixtures and Equipment
FMS	Fair Market Share
FRI	Full Repairing and Insuring
GIA	Gross Internal Area
GOP	Gross Operating Profit
ITZA	In Terms of Zone A
MOD	Minor Operated Department
MPI	Market Penetration Index
MR	Market Rent
MV	Market Value
NIY	Net Initial Yield
NIA	Net Internal Area
pa	Per Annum
pcm	Per Calendar Month
psf	Per Square Foot
psm	Per Square Metre
pw	Per Week
RGI	Revenue Generation Index
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RevPAR	Revenue Per Available Room
sq ft	Square Feet
sq m	Square Metres
UBR	Uniform Business Rate (multiplier)
VAT	Value Added Tax
ZA	Zone A

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from Cushman & Wakefield Spain Limited, an independent valuer, in connection with their valuation as at 31 July 2018 of the property interests of the Guoco Group in Spain, Malta and Gibraltar.*



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cushmanwakefield.es

**GUOCO GROUP LIMITED**

50th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

Attention: The Board of Directors

Our ref: ctg2172  
10 October 2018

Dear Sirs,

**VALUATION OF VARIOUS PROPERTY INTERESTS IN SPAIN**

In accordance with your instructions we have valued the property interests held by The Rank Group Plc and its subsidiaries (collectively referred to as “Rank”), a company 52.03% owned by Guoco Group Limited (“Guoco”). We confirm that we have carried out internal inspections of all properties except the administrative offices, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2018 (the “valuation date”).

Our Valuation Report has been prepared for the purposes of a proposed privatisation of Guoco announced on 2 July 2018 on The Stock Exchange of Hong Kong Limited (the “Proposed Transaction”). This summary has been prepared for the purposes of inclusion in the scheme document to Guoco shareholders in connection with the Proposed Transaction. Our Valuation Report may be relied upon only by the addressee and their professional advisors for the stated purpose. No reliance may be placed upon the contents of our Valuation Report by any party who is not an addressee or by an addressee for any purpose other than in connection with the stated purpose.

Our valuation has been prepared in accordance and complies with the RICS Valuation – Global Standards 2017, incorporating the International Valuation Standards (“IVS”), Global and UK edition (March 2012), hereafter referred to as “the Standards”, of the Royal Institution of Chartered Surveyors (“RICS”). The RICS considers that a valuation complying with the Standards also complies with the IVS. Our report has regard to the relevant requirements contained in Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complies with all the requirements contained in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “Takeovers Code”) issued by the Securities and Futures Commission.

For the purpose of compliance with Rule 11.3 of the Takeovers Code, we are advised by Rank that there are potential tax liabilities which might arise on the disposal of each of the Properties in Spain, including but not limited to profit tax and any other relevant taxes levied at the local applicable rate prevailing at the time in Spain. We are advised by Rank that the likelihood of the potential tax liability being crystallized is considered remote as Rank as at 5 October 2018, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this Scheme Document, has no intention to dispose of the relevant property interests. According to our standard practice as we are not qualified to advise or opine on tax matters, we have neither verified nor taken into account such tax liability in the course of our valuation.

Generally the property interests are owner occupied and trade as fully-equipped operational bingo clubs. As instructed we have only valued the property interests and have excluded any value attributable to the business enterprise in occupation.

Market value is defined by the Standards as *“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

As instructed the property interests have been valued individually on the basis of market value, subject to the following Special Assumptions:

- (i) the property can only be used for its existing use; and
- (ii) the property has never been traded as an operational entity and has no trading history.

These Special Assumptions have been made to reflect owner occupation of the property interests and to disregard any value attributable to the trading potential that attaches to and runs with a trading entity. Having regard to Rank’s accounting practices and the circumstances of this valuation we consider these special assumptions are realistic, relevant and valid.

Unoccupied property interests which are surplus to operational requirements have been valued to market value, without any Special Assumptions.

Our valuation includes the legal interest in the land and buildings (including fixtures, fittings, plant and machinery which form part of the buildings) but excludes the value of the trade inventory, together with any value attributable to a gaming or casino licence.

Having regard to the assumptions and Special Assumptions in valuing the property interests, unless otherwise stated, we have adopted an income capitalisation approach to valuation based on the capitalisation of the existing and reversionary rental income potential from the date of valuation at an appropriate investment yield to arrive at the capital value. We have assessed the rental value and capitalisation rate to be adopted for the valuation by reference to an analysis of market transactions on comparable properties and our interpretation of prevailing investor requirements or expectations. We have applied an appropriate capitalisation rate to the rental income (or rental loss in the case of over rented leasehold properties), based on the risks and rewards associated with the property interests and a purchaser's required rate of return.

Our valuation has been made on the assumption that the owner sells the property interests on the open market without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would affect the values of the property interests. The reported market values reflect the fact that the property interests would be sold with vacant possession in their existing state. The properties have been valued individually and no allowance has been made to reflect the possible effect of flooding the market or lotting.

Whilst properties of this type are normally valued as fully-equipped operational entities by reference to their trading potential, we consider our approach appropriate in this instance having regard to Rank's accounting practices and the need to avoid double counting of assets. There is limited directly comparable transactional evidence available for this type of property which makes valuation in the current market relatively subjective.

We have relied to a considerable extent on information provided by Rank and in particular copy leases (in respect of leasehold property interests) and Land Registry extracts (in respect of freehold property interests), records of capital expenditure, details of unlicensed and sublet income, schedules of rents payable and receivable and floor plans, which we have assumed are accurate and complete. Where necessary we have carried out on-site measurements.

We have taken every reasonable care inspecting the information provided to us by Rank and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by Rank, which is material to the valuation. Rank has advised that no material facts have been omitted from the information provided to us.

We have inspected the commercial properties to such extent as necessary for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services or carried out any environmental investigations.

<b>PROPERTY</b>	<b>TYPE OF VISIT</b>	<b>PERSON TO INSPECT</b>	<b>INSPECTION DATE</b>
Don Pelayo, Barcelona (Bingo and offices)	Internal & External	Laura González and Héctor Martínez	30 July 2018
Continental, Barcelona	Internal & External	Laura González and Héctor Martínez	1 August 2018
Universal, Madrid	Internal & External	Tony Loughran and Cristina Treceño	30 July 2018
Offices Malta	Internal & External	Perry Limited	July 2018
Girona I, Girona	External	Juan Narbón	August 2018
Gorbea, Madrid	External	Tony Loughran	July 2018
Sabadell, Barcelona	External	Juan Narbón	August 2018
Andalucía, Sevilla	External	Gloria Moreno	August 2018
Girona II, Girona	External	Juan Narbón	August 2018
Balmes (offices), Barcelona	External	Juan Narbón	August 2018
Zahira, Córdoba	External	Miles Leonard	August 2018
Ciutat de Reus (incl. Parking), Barcelona	External	Juan Narbón	August 2018
Gibraltar Unit 3Ca (offices), Gibraltar	External	Richard Buckley	July 2018
Gibraltar 4C (offices), Gibraltar	External	Richard Buckley	July 2018

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoing of an onerous nature which could affect their values.



All monetary amounts are stated in Euros (“EUR”).

We attach a summary of values and our Valuation Report.

Yours faithfully,

For and on behalf of Cushman & Wakefield

**Reno Cardiff MRICS**

Partner

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**Tony Loughran MRICS**

Partner

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*Valuer Bio:*

- Partner and Head of the Capital Markets Group at Cushman and Wakefield’s Barcelona office.
- Reno has 22 years’ experience in the property consultancy sector of which 17 have been in the Spanish market. Previously, he was Valuation Director at Leighton Goldhillin London. He is a visiting lecturer at a number of universities and regularly features on diverse subjects such as forward funding structures, sale and leasebacks, REITS and the Spanish property market. He has been involved in some of Spain’s most emblematic deals.

*Valuer Bio:*

- Tony is a Partner and Head of the Valuation & Advisory Team in Spain.
- Before joining Cushman & Wakefield in September 2000, Tony worked in London for Colliers, as an office agent, active in the Thames Valley and the South East of England. Prior to that he worked as a valuation surveyor, firstly with Kemsley Whiteley & Ferris where he started his career in 1991 and then with Gooch & Wagstaff, which subsequently merged with Colliers.

## SCHEDULE OF PROPERTIES VALUED

## GROUPS I TO III — PROPERTY INTERESTS HELD OR RENTED BY RANK IN SPAIN

## VALUATION AS AT 31 JULY 2018

Property	Location	Interest	Market Value as at 31/07/2018	Guoco's Interest*	Market Value of Guoco's Interest
<b>GROUP I. FREEHOLD BINGO CLUBS IN SPAIN</b>					
Don Pelayo	Barcelona	Freehold	€7,550,000	52.03%	€3,928,265
Zahira	Córdoba	Freehold	€1,170,000	52.03%	€608,751
Universal	Madrid	Freehold	€11,310,000	52.03%	€5,884,593
Ciutat de Reus (incl. Parking)	Reus, Barcelona	Freehold	€5,720,000	52.03%	€2,976,116
Continental	Barcelona	Freehold	€4,260,000	52.03%	€2,216,478
<b>Total</b>			<b>€30,010,000</b>	<b>52.03%</b>	<b>€15,614,203</b>
<b>GROUP II. LEASED BINGO CLUBS IN SPAIN</b>					
Girona I	Girona	Leasehold	Nil	52.03%	Nil
Gorbea	Madrid	Leasehold	Nil	52.03%	Nil
Sabadell	Sabadell, Barcelona	Leasehold	Nil	52.03%	Nil
Andalucía	Sevilla	Leasehold	(€150,000)	52.03%	(€78,045)
Girona II	Girona	Leasehold	Nil	52.03%	Nil
<b>Total</b>			<b>(€150,000)</b>	<b>52.03%</b>	<b>(€78,045)</b>
<b>GROUP III. LEASED ADMINISTRATIVE OFFICES</b>					
Offices Gibraltar Unit 3Ca	Gibraltar	Leased	Nil	52.03%	Nil
Offices Gibraltar 4C	Gibraltar	Leased	Nil	52.03%	Nil
Offices Malta	Malta	Leased	Nil	52.03%	Nil
Don Pelayo Offices	Barcelona	Leasehold	Nil	52.03%	Nil
Offices Balmes	Barcelona	Leasehold	Nil	52.03%	Nil
<b>Total</b>			<b>€0</b>	<b>52.03%</b>	<b>€0</b>
<b>TOTAL</b>			<b>€29,860,000</b>	<b>52.03%</b>	<b>€15,536,158</b>

\* *Note:* We provide this opinion on the basis that 100% of the asset is sold with 52.03% of the value assigned to Guoco, rather than a sale of 52.03% of the asset which could result in different offer levels and values, taking into account that it is not a 100% participation in the ownership. Negative values are shown in parentheses.

In the case of all the leased properties there is little/no value in the remaining lease terms if you were to assign those leases (i.e. no material lease premium value, assuming transfer of the assets as vacant non-trading bingo operations). In the case of the Andalucía bingo, we have highlighted a negative value due to “overrenting” (our view that if you transferred that lease you would need to compensate the new tenant with a negative premium payment to cover their liability of paying excessive rent for the remainder of the period until lease-end or lease-break).

## SUMMARY OF VALUES

## GROUPS I TO III — PROPERTY INTERESTS HELD OR RENTED BY RANK IN SPAIN, GIBRALTAR AND MALTA

Property Interests	Capital Value in existing state as at 31 July 2018	Interests attributable to Guoco	Capital Value attributable to Guoco as at 31 July 2018*
Freehold Bingo Clubs in Spain	€30,010,000	52.03%	€15,614,203
Leased Bingo Clubs in Spain	(€150,000)	52.03%	(€78,045)
Leased Administrative Offices in Spain	€0	52.03%	€0

\* *Note:* We provide this opinion on the basis that 100% of the asset is sold with 52.03% of the value assigned to Guoco, rather than a sale of 52.03% of the asset which could result in different offer levels and values, taking into account that it is not a 100% participation in the ownership. Negative values are shown in parentheses.

## VALUATION CERTIFICATE GROUP I

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital Value in existing state as at 31 July 2018</u>	<u>Interest Attributable to Guoco (%)</u>	<u>Capital Value attributable to Guoco as at 31 July 2018</u>
I. Five Freehold Bingo Clubs in Spain	The properties comprise 5 operational commercial units with a total floor area of approximately 9,466 sq.m.	The properties are currently owned and occupied by Rank as operational Bingo Clubs.	€30,010,000	52.03%	€15,614,203

**Title of Ownership Details:****Bingo Don Pelayo:**

The Property is located at Carrer del Comte D'Urgell 154, 08306, Barcelona. Property 100% owned by RANK CATALUNYA S.A. and acquired by means of a merger involving the previous owner on 30 December 1996. RANK CATALUNYA S.A. is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.03% attributable interest. The facades of the building form a common element and cannot be modified without previous consent of other property owners within the building. The Property Title is free of any unusually onerous restrictions, covenants, or other encumbrances.

**Bingo Zahira:**

The Property is located at Calle del Conde de Robledo 1, 14008, Córdoba. Property 100% owned by TOP RANK ANDALUCIA, S.A. and acquired by means of a merger involving the previous owner on 12 January 2002. TOP RANK ANDALUCIA, S.A. is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.03% attributable interest. The Property Title is subject to water passage rights, and general sanitation rights relating to the rest of the building. The Property Title is free of any unusually onerous restrictions, covenants, or other encumbrances.

**Bingo Universal:**

The Property is located at Calle Carretas 13, 28012, Madrid. Property 100% owned by RANK CENTRO, S.A. and acquired by means of a merger involving the previous owner. RANK CENTRO, S.A. is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.03% attributable interest. The Property Title is subject to right of passage and use of stairway/lighting to inhabitants of residential dwellings located above the Property. The Property Title is free of any unusually onerous restrictions, covenants, or other encumbrances.

**Bingo Ciutat de Reus:**

The Property is located at Raval de Jesus 14-16, 43201, Reus. Property 100% owned by RANK CATALUNYA S.A. and acquired by means of a merger involving the previous owner on 30 December 1996. RANK CATALUNYA S.A. is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.03% attributable interest. The Property Title is subject to right of passage to units 1 & 2 with Property registry numbers 13,686 and 13,690 as well as SAFLO, S.A. Title also subject to water passage rights. The Property Title is free of any unusually onerous restrictions, covenants, or other encumbrances.

**Bingo Continental:**

The Property is located at Carrer de Collblanc 3, 08903, Barcelona. Property 100% owned by RANK CATALUNYA S.A. and acquired by means of a merger involving the previous owner. RANK CATALUNYA S.A. is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 52.03% attributable interest. The Property Title is free of any unusually onerous restrictions, covenants, or other encumbrances.

**Note:** We have been provided with Title Deeds although we point out that neither we nor our sub-contractors Ibertasa, MJ and Perry are legal experts and we have read said Title Deeds on a strictly commercial basis.

## VALUATION CERTIFICATE GROUP II

Property	Description and tenure	Details of occupancy	Capital Value in existing state as at 31 July 2018	Interest Attributable to Guoco (%)	Capital Value attributable to Guoco as at 31 July 2018
II. Five Leased Bingo Clubs in Spain	The properties comprise 5 property leases with a total floor area of approximately 6,576sq.m.  The properties are leased from various landlords by Rank for various terms with a total monthly rent of EUR 68,638.	The properties are occupied by Rank for use as Bingo Clubs, except for Girona II which is currently vacant.	(€ 150,000)	52.03%	(€78,045)

**Terms of Tenure:****Bingo Ciutat de Girona:**

The Property is located at Carrer del Pont de la Barca 1, 17007, Girona. The registered owner of the property is R.G. INMOVER S.L., which is an independent third party to the Guoco Group. Lease signed 16 February 2002. Current contractual rent of €169,200/annum. A 5-year extension period remaining, ending 16 February 2022. Tenant may resolve contract at break option with 3 months notice period.

**Bingo Ciutat de Girona II:**

The Property is located at Carretera de Sta. Coloma 77-79, 17005, Girona. The registered owner of the property is R.G. INMOVER S.L., which is an independent third party to the Guoco Group. Lease signed 23 February 2017. Current contractual rent of €48,000/annum. Break option at 22 February 2019 and ending on 22 February 2032. Tenant may leave at break option with 2 months notice period. This property is currently vacant and in need of capital expenditure in order to open as a Bingo.

**Bingo Gorbea:**

The Property is located at Pena Gorbea 17, 28018, Madrid. The registered owner of the property is PROMOCIONES ALBUFERA 46, S.A., which is an independent third party to the Guoco Group. Lease signed on 22 February 2002. Tenant currently paying a contractual rent of €228,000/annum. Break option on 28 February 2022. Tenant may leave at break option with 3 months notice period.

**Bingo Sabadell:**

The Property is located at Avinguda de l'Onze de Setembre 125, 08208, Sabadell. The registered owner of the property is SOCIEDAD CORAL COLÓN, which is an independent third party to the Guoco Group. Lease contract signed 30 June 2008. The tenant currently pays a contractual rent of €73,200/annum. Tenant may resolve the contract at any time between 1 June 2013 and lease expiry 1 June 2033 with 6 months notice period. A 3 months break penalty applies if tenant leaves before contract expiry.

**Bingo Andalucia:**

The Property is located at Ronde de Capuchinos 19, 41009, Seville. The registered owner of the property is INDEMI, S.L., which is an independent third party to the Guoco Group. Lease contract signed 23 December 2005. The current contractual rent is €255,600/annum. Obligatory period ends 1 July 2016 followed by an optional renewal period of 5 years until 1 July 2021. Tenant must notify of intention to resolve contract 3 months in advance.

**Note:** We have been provided with Title Deeds although we point out that neither we nor our sub-contractors Ibertasa, MJ and Perry are legal experts and we have read said Title Deeds on a strictly commercial basis.

## VALUATION CERTIFICATE GROUP III

Property	Description and tenure	Details of occupancy	Capital Value in existing state as at 31 July 2018	Interest Attributable to Guoco (%)	Capital Value attributable to Guoco as at 31 July 2018
III. Five Leased Administrative Offices in Spain, Gibraltar and Malta	<p>The properties comprise five property leases with a total floor area of approximately 1,246 sq.m.</p> <p>The properties are leased from various landlords by Rank for a total monthly rent of EUR 30,587.</p>	The properties are occupied by Rank for use as administrative offices.	€0	52.03%	€0

**Terms of Tenure:****Administrative Offices Compte Urgell:**

The Property is located at Compte Urgell 156, Entreplanta 2<sup>a</sup>, Barcelona. The registered owner of the property is Jose M<sup>a</sup> Aguilar Bonfill, which is an independant third party to the Guoco Group. Lease signed 1 January 2016. Contractual rent is currently €9,012/annum. Lease expires 31 December 2020 although Rank has the right to break anytime with 1 month notice.

**Administrative Offices Calle Balmes:**

The Property is located at Calle Balmes, 268, 1, Barcelona. The registered owner of the property is BALMA BCN 2003, S.L., which is an independant third party to the Guoco Group. Lease signed 21 December 2012 and extended on 21 December 2017 for an obligatory period of 3 years and ending on 20 December 2027. Contractual rent is currently €67,200/annum.

**Administrative Offices in Gibraltar (Unit 3Ca):**

The Property is located at Unit No. 3Ca, Leisure Island Business Centre, Ocean Village, Gibraltar. The registered owner of the property is Ocean Village Commercial Properties Ltd., which is an independant third party to the Guoco Group. Lease signed 20 November 2017 with an obligatory period until 24 June 2021, and ending on 31 May 2027. Contractual rent is currently GBP68,000/annum (approx. €76,160/annum).

**Administrative Offices in Gibraltar (Unit 4C):**

The Property is located at Unit No. 4C, Leisure Island Business Centre, Ocean Village, Gibraltar. The registered owner of the property is Ocean Village Commercial Properties Ltd., which is an independant third party to the Guoco Group. Lease signed 18 May 2015 with an obligatory period until 24 June 2021, and ending on 17 May 2027. Contractual rent is currently GBP172,384/annum (approx. €193,070/annum).

**Administrative Offices in Malta:**

The Property is located at 63 Regent House, Bisazza Street, Sliema, SLM 1640, Malta. The registered owner of the property is Mr. Raymond Vassallo, which is an independant third party to the Guoco Group. Lease signed 1 April 2017 with an obligatory period until 1 October 2018, and ending on 1 April 2027. Contractual rent is currently €21,600/annum.

**Note:** We have been provided with Title Deeds although we point out that neither we nor our sub-contractors Ibertasa, MJ and Perry are legal experts and we have read said Title Deeds on a strictly commercial basis.

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Scheme Document received from CBRE, Inc., an independent valuer, in connection with their valuation as at 31 July 2018 of the property interests of the Guoco Group in the United States.*



10 October 2018

The Board of Directors  
Guoco Group Limited  
50/F, The Center  
99 Queen's Road Central  
Hong Kong

**RE: Appraisal of Molokai Properties Limited  
Real Property Assets on the Island of Molokai, Hawaii**

Dear Sirs:

We are transmitting a market value appraisal of the real property interests of Molokai Properties Limited ("MPL") located on the island of Molokai, State of Hawaii. The subject properties are categorized by "Asset Use Groups" in Table 1 (Value Summary). The individual properties, comprising approximately 54,485.721 acres, have been analyzed according to attributes and use potentials as detailed in the subsequent individual asset group summary sections within the body of the report. The aggregate value reported herein is the sum of the estimated market values of the individual parcels and groupings, therefore it does not represent the "as is" market value of the portfolio under the assumption of a bulk sale to a single purchaser.

The effective date of value is July 31, 2018, concurrent with our visits to various subject properties. Due to lack of direct access, only the properties that are accessible by vehicle were inspected by the appraisers. Other inaccessible properties were not re-inspected for purposes of this valuation, but were viewed from a distance and further analyzed via aerial photographs and Geographic Information Systems (GIS) data.

The intended user of this appraisal is Guoco Group Limited (GGL), with the intended use for internal planning and asset evaluation for corporate purposes. We are advised that GGL will incorporate the report in GGL's circular in relation to the proposed privatisation of GGL announced on 2 July 2018 on The Stock Exchange of Hong Kong Limited. This letter must remain attached to the accompanying portfolio style narrative appraisal report in order for the value opinion set forth to be valid.

CBRE previously appraised the subject property with the most recent full portfolio valuation completed as of July 6, 2015. This assignment incorporates known changes that have been made to the portfolio since our previous 2015 evaluation.

As instructed by the client and consistent with prior valuations, our directed scope of work assumed as a special assumption the implementation of a renewed vision for Molokai Ranch by the current or a prospective buyer of the assets that will stimulate economic growth and re-establish consumer confidence in the area. In particular, we are assuming that the hotel properties will re-open or be redeveloped in the near-term and the Kaluakoi Golf Course will be reopened, enhancing the image of improved economic viability of the area.

These assumptions constitute an extraordinary assumption as defined by USPAP, in that if they fail to occur, the value conclusions may be impacted.

Our report has regard to the relevant requirements contained in Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complies with the requirements contained in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “Takeovers Code”) issued by the Securities and Futures Commission.

Our findings also reflect a recently completed major water project reportedly costing nearly \$8.5 million that upgrades MPL’s water system. It involved the primary well facility (Well 17) serving MPL holdings including the addition of four new steel tanks and nearly 11,0000 linear feet of transmission mains. Having a total capacity of over 3.5 million gallons per day, the improved well facility provides flexibility with both the new and existing potable and non-potable water systems. It serves as the main groundwater source for MPL supplying approximately 1.018 million gallons per day of water (by permit) as well as two million gallons of storage. Potable water is conveyed through a series of pipes, pumps and tanks to customers of MPL’s water utility subsidiaries in Kualapu‘u town, Kalae, Kipu, Manawainui/Industrial Park, Maunaloa town and Kaluakoi. It enables MPL to cease using the state-owned Molokai Irrigation System in its transmission of groundwater and surface water.

Consistent with our prior valuation analysis we have included a deducted allowance of \$8,000,000 for the development of desalination plant (or equivalent water solution) to create additional potable water to supplement Molokai Ranch’s existing rights to one million gallons per day of water to support of the future development of the Kaluakoi Resort lands.

Based on our research and analysis, and subject to the limiting conditions and assumptions outlined in the body of this report, it is our opinion the aggregate retail value of the portfolio under the assumption of individual sale to multiple buyers, as of July 31, 2018, was:

**TWO HUNDRED NINE MILLION DOLLARS**  
**(\$209,000,000)**

*Note:* All values in the following appraisal report are expressed in United States dollars (\$=U.S.D.).



Table 1 summarizes the valuation conclusions for each asset use group comprising the aggregate retail value of the portfolio.

*Note:* This reporting format is condensed at the client's request to exclude photographs and publicly available tax maps.

We appreciate the opportunity to have worked with you on this assignment. Should clarification or further discussion of the study contained herein be necessary, please contact us.

Respectfully submitted,

**CBRE, INC. | Valuation & Advisory Services**

**James E. Hallstrom, Jr., MAI, CRE, FRICS**

*Managing Director*



**Appraisal of**

**MOLOKAI PROPERTIES LIMITED  
REAL PROPERTY ASSETS**

**Located Within Portions of the  
West, Central and Southeast Regions of the  
Island of Molokai, State of Hawaii**

**Prepared for  
Guoco Group Limited**

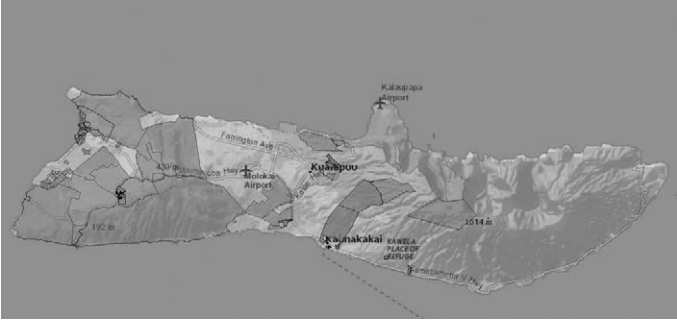
**As of  
July 31, 2018**

SUMMARY OF ASSIGNMENT AND CONCLUSIONS

Subject Property

The subject properties are Molokai Properties Limited’s (MPL) real estate assets on the island of Molokai, State of Hawaii.

Comprising approximately 54,485.721 acres, MPL’s holdings are predominantly located in West Molokai around Maunaloa Village and within the Kaluakoi Resort. Additional industrial and commercial properties, and several thousand acres of agricultural lands are situated in Central and Southeast Molokai adjacent to Kaunakakai and Kualapuu, respectively. The underlying State Land Use classifications and County zonings for the MPL acreage and include commercial, residential, hotel, industrial and agricultural land uses.



Aerial of MPL’s Portfolio of Properties

Vesting & Property History

The subject properties are vested in MPL, its subsidiaries, or affiliated entities.

There have been no known sales of the subject properties in the past three years. According to Pacific Business News, the ranch is being currently offered for sale on a bulk basis at an asking price of \$260 million.

Client

Guoco Group Limited.

Intended Use

Incorporation into Guoco privatisation circular or announcements.

Intended User

The intended user is our Client, Guoco Group Limited (GGL), and such other parties and entities expressly recognized by CBRE as “Intended Users” (as further defined herein). It is understood that GGL may elect to share report information with third parties, including GGL’s shareholders, as part of a reporting effort via its website, the HK Securities and Futures Commission’s website and The Stock Exchange of Hong Kong Limited. This report is not intended for any other use. The appraisers are not responsible for unauthorized use of this report.

**Reliance**

Reliance on any reports produced by CBRE under this letter is extended solely to parties and entities expressly acknowledged in a signed writing by CBRE as Intended Users of the respective reports, provided that any conditions to such acknowledgement required by CBRE or hereunder have been satisfied. Parties or entities other than Intended Users who obtain a copy of the report or any portion thereof (including Client if it is not named as an Intended User), whether as a result of its direct dissemination or by any other means, may not rely upon any opinions or conclusions contained in the report or such portions thereof, and CBRE will not be responsible for any unpermitted use of the report, its conclusions or contents or have any liability in connection therewith.

**Valuation Premise**

Our assignment is to estimate the market value of fee simple or leased fee interests, as applicable, for the subject properties. The aggregate value reported is the sum of the estimated market values of the individual parcels and groupings.

This appraisal assignment does not quantify the bulk market value under the assumption of a sale of the entire portfolio to a single purchaser.

**Prior Appraisal**

CBRE and The Hallstrom Group has previously appraised MPL's individual real estate assets for other related entities and for GGL most recently in 2013.

**Definition of Value and Source**

*Market value* is defined as the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. (Source: The Appraisal of Real Estate, 14th Edition.)

**Extraordinary Assumptions**

An *extraordinary assumption* is an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2014-2015 Ed.)

Consistent with earlier valuations, this appraisal is subject to the following extraordinary assumptions:

- The aggregate value to be reported is the sum of the estimated market values of the individual parcels and groupings; it does not represent the “as is” market value of the portfolio under the assumption of a bulk sale to a single purchaser.
- Site visits were conducted in March and April for this valuation analysis having an effective date of July 31, 2018. Only the properties that were accessible by vehicle were inspected by the appraisers; other inaccessible properties were not re-inspected for purposes of this valuation but viewed from a distance and further analyzed via aerial photographs and Geographic Information Systems (GIS) data.
- The directed scope of work assumes as a special assumption that there will be an implementation of a renewed vision for Molokai Ranch by the current owner of the assets that will stimulate economic growth and re-establish consumer confidence in the area. In particular, we are assuming that the hotel properties will re-open or be redeveloped in the near-term and the Kaluakoi Golf Course will be reopened, enhancing the image of improved economic viability of the area.
- Our assignment is to estimate the individual (retail) market value of subject properties. Our value conclusions assume each property is professionally marketed over a reasonable period of time. The market value under the assumption of sale of the entire portfolio to single buyer has not been addressed in this assignment. We have not considered or reflected the impact of all properties being simultaneously marketed which may saturate the market and artificially depress values.
- The properties valued in this report were evaluated based on information supplied by MPL and our research of public and private databases. We have relied on confirmation by MPL on its title to and attributable interest in the property. We have not examined title reports and assume MPL owns and/or leases the properties identified herein as of the effective date of the value.
- For those properties encumbered by leases, the appraisers have reviewed lease information provided by MPL, the majority of which was provided in tabular format. This appraisal is subject to the extraordinary assumption that the information provided was accurate.

- No value was assigned to the once-envisioned La’au Point development project which is perceived to be a source of significant community opposition.
- At the direction of the client, the value conclusions for the resort lands in and around the Kaluakoi Resort have been valued under the assumption that the Kaluakoi Hotel will be renovated/redeveloped either as an operational branded hotel or as a destination hospitality or resort facility, e.g. timeshare or condominium, and the golf course will be reopened. The reopening of these facilities is integral to the success of the Kaluakoi Resort; the appraisal premise assumes such will occur in the near term by existing or new ownership.
- Water has historically been a controversial issue on Molokai. MPL has the right to extract water from Well 17 in Kualapuu and transport it from the central region to the west end of the island for Maunaloa Town and Kaluakoi. This has been one of the core issues causing local protest to the ranch’s operation and potential expansion. To mitigate this divisive issue, MPL recently completed a major water project reportedly costing nearly \$8.5 million that upgrades MPL’s water system. It involved the primary well facility (Well 17) serving MPL holdings including the addition of four new steel tanks and nearly 11,0000 linear feet of transmission mains. Having a total capacity of over 3.5 million gallons per day, the improved well facility provides flexibility with both the new and existing potable and non-potable water systems. It serves as the main groundwater source for MPL supplying approximately 1.018 million gallons per day of water (by permit) as well as two million gallons of storage. Potable water is conveyed through a series of pipes, pumps and tanks to customers of MPL’s water utility subsidiaries in Kualapu’u town, Kalae, Kipu, Manawainui/Industrial Park, Maunaloa town and Kaluakoi. It enables MPL to cease using the state-owned Molokai Irrigation System in its transmission of groundwater and surface water. However, consistent with other earlier valuation analyses, it has been assumed that a desalination plant in West Molokai (or equivalent water solution) would be developed at an estimated cost allowance of \$8 million, as previously estimated by MPL management. Because this new water source is critical to gaining community support which is assumed in our valuation, we have deducted this cost from the aggregate value of the ranch assets.

**Hypothetical Conditions**

*Hypothetical condition* is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2014-2015 Ed.) This appraisal was subject to the following hypothetical condition (which could also be interpreted as an extraordinary assumption).

- Molokai Properties Limited (or related entities) will immediately re-establish its economic presence to reinvigorate the local economy and enhance public confidence in the ranch and Kaluakoi Resort. The appraisers have reflected this expectation in their general analysis as an assignment parameter although it has not yet occurred despite prior representations. This is a hypothetical condition of the appraisal.
- It is assumed the physical condition of the property on July 31, 2018, the effective date of value, was the same as existed at the time of the appraisers April and May site visits.

**Other Limiting Conditions and Assumptions**

Additional other standard general limiting conditions and assumptions have been included in the Addenda as Exhibit I.

**Report Option**

This assignment has been completed in an appraisal report format in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) Standard Rule 2-2 (a). Our valuation also complies with Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong issued by the Securities and Futures Commission.

**Summary of Conclusions****Effective Date of Value Opinion**

July 31, 2018.

**Opinion of Value**

\$209,000,000. See Table 1 below for details. All values in this appraisal report are expressed in United States dollars (\$=U.S.D.).

Table 1

**MOLOKAI PROPERTIES LIMITED AGGREGATE PORTFOLIO VALUE**  
**Island of Molokai, Hawaii**

<b>Asset Use Group</b>	<b>Land Area Acres</b>	<b>Concluded Values</b>
West Agricultural Lands	42,217.697	\$85,515,000
Central Agricultural Lands	2,590.268	\$5,181,000
Southeast Agricultural Lands	3,554.388	\$7,109,000
Independent Conservation Lands	4,116.740	\$2,881,700
Kaunakakai and Maunaloa Commercial Properties	28.825	\$10,120,000
Kualapuu and Maunaloa Industrial Properties	84.751	\$11,034,000
Maunaloa Residential Properties	21.502	\$4,470,000
Residential Potential Urban Expansion lands	294.992	\$8,156,000
Kaluakoi Interior Resort Lands	176.015	\$25,967,000
Kaluakoi Oceanfront Resort Land	100.575	\$18,380,000
Kaluakoi Interior Expansion Lands	38.807	\$483,000
Papohaku Ranch Lots and Kaupoa Beach Camp	841.959	\$9,905,000
Maunaloa and Kaluakoi Hotel Properties	28.924	\$20,060,000
Kaluakoi and Ironwood Golf Courses	222.327	\$3,140,000
Infill Lots	1.904	\$398,000
Contributory Value of Telecommunication Licenses	—	\$4,089,000
Contributory Value of Other Lease Agreements	—	\$97,000
Properties with No Market Value	166.047	\$0
<b>Aggregate Value of Individual Properties Reported in Asset Groups</b>	<b>54,485.721</b>	<b>\$216,985,700</b>
<b>Less Cost Allowance for Desalination Plant</b>		<b>(\$8,000,000)</b>
<b>Concluded Aggregate Retail Value of the Portfolio Properties Assuming Multiple Buyers</b>		<b>\$208,985,700</b>
	<b>Rounded</b>	<b>\$209,000,000</b>



**Tax Liability**

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong and as advised by Guoco Group Limited, the potential tax liabilities which may arise from the sale of the properties included Federal corporate tax and Hawaii State income tax, which levy on the profit from the sale of the properties at 21.0% and 6.4%, respectively, in the United States of America. The likelihood of the tax liability being crystallized is high as the property interests are intended to be sold. According to our standard practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

**Exposure Time**

Summarized in the individual valuation tables.

**SCOPE OF WORK**

- Inspected selected subject properties that have vehicular access in April and May 2018. Properties that are physically inaccessible were analyzed based on prior visits, aerial photographs, and available GIS information.
- Reviewed lease summaries or lease documents provided by MPL.
- Formed conclusions regarding the highest and best use of the various subject properties.
- Researched sales of comparable properties by zoning on the island of Molokai and elsewhere in the State.
- Completed sales comparison analyses for the individual subject sites and grouped assets to derive value estimates for individual properties, which are combined into asset groups. Existing improvements were evaluated using a depreciated replacement cost analysis.
- Valued the leased fee interests in those subject properties encumbered by long-term leases (in excess of one year) by income capitalization.
- Prepared this appraisal report.

**MARKET AREA**

The island of Molokai is the fifth largest island in the Hawaiian archipelago. Located roughly 20 miles (20 minutes by air) east of Honolulu, the capitol of the State of Hawaii, Molokai encompasses approximately 165,800 acres. The island is 38 miles long and, at its widest point, is ten miles wide. The island is split into two distinct geographical areas being West Moloka'i (Mauna Loa) and East (Wailau). The western half is an arid plateau rising to about 400 feet above sea level with a history of diversified agriculture and tourism land use. The eastern half is rugged and less assessable, featuring some of the world's highest sea cliffs, spilling more than 3,000 feet into ocean, dramatic gorges, and rainforests. Numerous Hawaiian fish ponds are located along the coastline of southeast Molokai, along with other historical sites.

Molokai is one of the last underdeveloped and unexploited major islands in Hawaii. The physical diversity of land forms, its proximity to Oahu, and the acknowledged need for economic stimulus in the community make the island a "blank slate" with the potential for agricultural and planned development consistent with the island's development goals. This development has not occurred within the last decade, not due to lack of interest, but from lack of economic stimulus, inefficient inter and intra island transportation networks, and community opposition to development. Attempts to diversify and grow the economy have been stalled by Molokai's small population, its isolation from world markets, and resistance to change from some residents in favor of a rural lifestyle and cultural preservation. The island's economic base was significantly eroded with the shutdown of Molokai Ranch in March 2008 resulting in the layoff of more than 120 employees.

The island's largest town is Kaunakakai. The center of population and commercial activity, Kaunakakai is located near the middle of the island along its south coast. The town area consists of a main street (approximately two blocks in length) and ancillary roads lined with small shops providing basic essentials to the community such as food, gas, and hardware; governmental, fire, police; and financial, professional and medical services. It is surrounded by recreational facilities, residential development, and large tracts of undeveloped land.

Located between Maunaloa and Kaunakakai is the community of Kualapuu, and rural Hawaiian homestead settlements of Hoolehua and Kalamaula. From Kaunakakai eastward, the settlement becomes more rural and scattered as it extends toward the lush tropical valley of Halawa where the road ends at the eastern tip of the island.

Ohana by Hawaiian, Mokulele, and Makani Kai airlines all provide several daily flights to Ho'olehua (Kaunakakai) airport on Molokai, from the Daniel K. Inouye International Airport on Oahu. Makani Kai Air which specializes in air transit to Molokai, offers additional service to the Kalaupapa Airport on Molokai and interisland flights to Maui (Kahului), which is the County seat. Molokai's harbor at Kaunakakai is its principal seaport for inter-island barge transports, and private and commercial passenger traffic, including a ferry service to Maui.

Molokai Ranch has been the major landowner on the island, owning approximately one-third of the island, most of which is contiguous. It is primarily located in the western half of the island with pockets of properties situated in central Moloka'i. The ranch originated in 1897 following the purchase of about 70,000 acres by American Sugar Company, made up of a group of Honolulu businessmen. Charles M. Cooke, one of the partners in American Sugar Company eventually bought out his partners and acquired the ranch in 1908. Under the guidance of his son George P. Cooke as manager, the ranch evolved into the second largest in the state. During the 35 years the property was managed and operated by the Cooke's, water systems were expanded and various types of agriculture were tested including honey production, cattle ranching, sugar, sweet potatoes and pineapple.

The western end of Molokai, being the dryer and sunnier side of the island with expansive white sand beaches, was logically the preferred location for the development of tourist facilities. With the opening of the 198-room Kaluakoi Resort under a Sheraton Hotel flag in 1977, west Molokai's community experienced expanded economic development beyond its historic agrarian land uses. Various development visions included the creation of a resort destination comprised of hotels, condominium apartments, single-family residential lots, commercial areas, and recreational facilities. The Kaluakoi Hotel and nearby condominiums initially set the destination aspect of the budding resort development by offering tourist services and amenities competitive with standards not previously available on the island. An 18-hole championship golf course, lighted tennis courts, and other recreational facilities situated adjacent to the long white-sand Kepuhi Beach created a niche for tourists and second home activity on Molokai and the Kaluakoi Resort area.

One of the more unusual undertakings of the ranch was the opening of an environmental wildlife park about one year after the Kaluakoi Resort opened. Physical conditions in West Molokai believed were similar to East Africa and the park was stocked with a broad array of unique animals including giraffe, zebra, various types of sheep and deer. Safari-like tours were operated by the ranch for almost 20 years until the park's closure in 1997.

In 1987 the Cooke family sold its interests in the ranch to Brierly Investments Ltd. which changed to BIL International and later to GuocoLeisure Ltd. in 2007. During the 1990s the ranch's activities were expanded to embrace tourism as its revitalized economic base. The town of Maunaloa was restored to include a movie theatre, a small retail complex, the luxury 22-room Molokai Lodge, first class rodeo facilities, new residential development, and several different types of tenting experiences known as the Molokai Ranch Tentalsows.

About ten years after opening, the Kaluakoi Hotel and golf course were sold to Kukui Resort, Inc., a subsidiary of Japan based Tokyo Kosan, Ltd. Colony Hotels became the manager but the quality of the hotel gradually diminished and ultimately closed in 2001. Molokai Ranch acquired the hotel and golf course in 2002 and by 2005 had fully restored and reopened the golf course.

In 2006 Molokai Ranch announced it would renovate the hotel as part of a master development plan that included the sale of approximately 200 luxury homesites along La'au Point, a picturesque strip of beachfront land along the southwestern tip of the island. Local opposition to the La'au development plan was intensive and led to the abandonment of the project and the eventual shutdown of Molokai Ranch, the island's largest employer at that time, at the end of March 2008.

In May 2012 Molokai Ranch announced new leadership who had a renewed vision for the ranch with an emphasis in operating to strengthen its relationship with the local community, and explored new agricultural, motion picture, recreational uses, energy production, and other uses for the Molokai Lodge and former Kaluakoi Resort Hotel. While these activities created regional publicity, they did not result in the sufficient economic stimulus to reinvigorate the local Molokai economy. Todd Svetin is the current general manager of Molokai Ranch; he appears extremely capable and believe he has been instrumental in coordinating the completion of the improved \$8.5 million water project previously mentioned.

**OVERVIEW OF REPORT  
FORMAT**

The subject properties have been valued and/or reported within 18 major headings as outlined in the Table of Contents. Each section addresses multiple properties that have been categorized by use and/or physical location.

Each subsection addresses the following: identification, property data, property description, ground lease summaries, description of the land and improvements (if applicable) and valuation. Limited description of the properties is presented in summary format and accompanied by aerial photographs and tax maps.

Individual market value conclusions were presented in Table 1 in the Summary of Conclusions section. The methodologies applied, and details used, in estimating the fee simple value conclusions are identified and summarized tabularly in each subsection.

The market values of MPL's interests in the individual properties are summed to report the aggregate value of MPL's portfolio of real estate interests. The appraisers have not estimated the bulk market value of MPL's holdings under the assumption of sale to a single purchaser.

**PROPERTY DATA, DESCRIPTIONS AND VALUATION****Highest and Best Use Overview**

Highest and best use of a site or property occurs when its advantages are maximized, and disadvantages are minimized by the nature of its development, re-development or utilization. It is that use or uses which may be reasonably expected to yield the highest net return to the land over a given period of time. It must be legal and in compliance with the regulations and ordinances within the police power of the city, county, and state including health regulations, zoning ordinances, building code requirements, etc. When evaluating potential uses, consideration is given to the four elements of highest and best use. These include whether the use is physically possible, legally permissible, financially feasible, and maximally productive.

A highest and best use conclusion establishes the parameters for market value analyses, because it identifies the probable use and corresponding utility of a property. Accordingly, the valuation process is conducted based on this conclusion. Included in the determination of highest and best use is the consideration of the contribution of a specific use to the community and development goals as well as benefits to individual property owners.

**Valuation Methodologies**

The unencumbered fee simple and leased fee market values for the subject properties have been estimated using one of or a combination of the three approaches to value. Determination of the methodology used was property- specific and is addressed in the valuation sections of this report. The three principal methods of property valuation are described as follows:

Income Capitalization – Under this approach, a property is valued in proportion to its ability to produce an income stream. Value is estimated by capitalizing (or discounting in case of a cash flow) annual rent income at a rate or rates commensurate with competitive investments or inherent ownership risk. The income approach was used to value the leased fee interests in properties encumbered by leases that are in excess of one year.

Valuation of the leased fee or lessor’s interest via income analysis is accomplished by estimating the present value of the contract lease rents and adding to it the present value of the lessor’s reversionary interest in the property. Property reversion was assumed to be the fee simple market value of the land escalated at three percent per annum to lease termination, identical to the methodology employed in deriving the applied market discount rates.

Sales Comparison – This approach is based on the principle that the value of a property is governed by the prices generally being obtained for similar properties in the marketplace. Adjustments are made to compensate for differences between the comparable properties and the subject in order for them to serve as indicators of value. Sales comparison was applied in the valuation of vacant sites owned in fee simple by MPL and to establish property reversion for the holdings encumbered by ground leases.

Cost Approach – In this approach, the subject improvements are ascribed a value based upon their current cost of reproduction or replacement, less physical depreciation and obsolescence. The depreciated improvement value is added to land value which is estimated by sales comparison. For the Portfolio valuation, the cost approach was used in evaluating the contributory value of selected substantial buildings located in Maunaloa Village.

**Summary of Comparable Sales  
Data**

The valuation of the fee simple interest in the Portfolio properties has entailed research on Molokai for appropriate comparable transaction data, as well as other neighbor islands as deemed necessary depending on the type of property being analyzed. The comparables were selected based on recency of sale dates, and similarities to the subject properties in terms of location, zoning, use and physical characteristics. Comparables were confirmed by recorded documents and often with knowledgeable parties such as grantors, grantees, lessees, lessors or real estate brokers actively involved with the property.

Much of the sales data on Molokai used for analysis purposes is from the shut-down period since 2008 and may not reflect the renewed leadership and planned future changes to the Molokai Ranch holdings.

The selected comparable land transactions drawn from our research of market activity and used in each subsection of the report are identified on Table 3.

Table 3

**LAND TRANSACTIONS SELECTED FOR DETAILED COMPARISON**  
**Molokai Ranch Properties**  
**Molokai, Hawaii**

Refere No.	Tax Map Key(s)	Highest & Best Use	Zoning	Land Area In Acres/S.F.	Transaction Date	Sales Price	Per Acre/S.F.
<b>Agriculture</b>							
A-1	(2) 5-5-1-32	Agriculture	AG	148.110 AC	06-Sep-13	\$530,000	\$3,578
A-2	(2) 5-6-6-13	Agriculture	AG	508.000 AC	18-Jan-13	\$850,000	\$1,673
A-3	(2) 5-8-15-6; 5-9-4-1, 7	Agriculture	AG	312.850 AC	21-Dec-12	\$930,000	\$2,973
A-4	(2) 1-4-1-2+	Agriculture	AG	3,452.940 AC	15-Jan-14	\$4,750,000	\$1,376(1)
A-5	(2) 4 (Various)	Agriculture	AG	43,259.111 AC	18-Jul-12	Allocation	\$850(2)
A-6	(3) 6-2-01-51; 6-2-13-19	Agriculture	A-5a	844.099 AC	05-Oct-16	\$6,300,000	\$7,464
A-7	(3) 6-8-01-24 & 63	Agriculture	A-5a	810.752 AC	06-Jul-16	\$7,000,000	\$8,634
A-8	(3) 8-1-02-40; 8-2-12-12	Agriculture	A-20a	1,892.710 AC	19-Dec-16 & 1-Sep-17	\$13,499,999	\$7,133
A-9	(3) 8-6-01-26,29,30	Agriculture	A-20a	3,245.639 AC	04-Apr-17	\$10,660,000	\$2,963
A-10	(3) 9-3-04-27, 28, 29,30; 9-4-05-10	Agriculture	AG	354.325 AC	17-Mar-14	\$1,050,000	\$2,963
A-11	(3) 9-5-8-1	Agriculture	AG	3,220.992 AC	08-Jan-15	\$7,100,000	\$2,204
<b>Conservation</b>							
C-1	(4) 4-7-1-1 & (4) 4-7-2-5	Conservation	Open	2,517.440 AC	18-Feb-00	\$1,263,650	\$502
C-2	(3) 2-5-1-1, 3,7 & 10; (3) 2-5-2-3 (3) 2-5-8-1 & 9	Conservation	AG/Conservation	5,226.855 AC	02-Aug-02	\$2,500,000	\$478
C-3	(3) 9-2-1-2; (3) 9-3-4-2 (por.)	Conservation	AG	21,689.000 AC	24-Jun-03	\$9,800,000	\$452
C-4	(3) 8-8-1-1	Conservation	AG	2,248.783 AC	05-Nov-03	\$1,700,000	\$756
C-5	(3) 2-4-8-3	Conservation	Conservation	1,335.980 AC	30-Jun-08	\$1,250,000	\$936
C-6	(2) 4-5-21-6, 24, 4-5-22-2, 4	Conservation	Conservation/AG	1,007.128 AC	12-Feb-14	\$487,000	\$484
C-7	(3) 8-6-01-18, 19, 20, 24; 3-21	Conservation	A-20a	2,150.858 AC	06-Jan-15	\$1,650,000	\$767
C-8	(3) 9-2-01-75	Conservation	A-20a	3,127.950 AC	04-Oct-16	\$2,600,000	\$831
C-9	(3) 9-2-01-79	Conservation	A-20a	1,688.980 AC	04-Oct-16	\$1,505,000	\$891
C-10	(2) 3-5-03-1; 3-6-03-1	Conservation	Conservation	7,073.614 AC	02-Mar-18	\$5,305,231	\$750
<b>Commercial</b>							
B-1	(2) 5-3-01-61	Commercial	B-CT	20,462 SF	06-Jun-06	\$269,000	\$13.15
B-2	(2) 5-3-01-83	Commercial	M-1	13,339 SF	21-Jul-06	\$150,000	\$11.25
B-3	(2) 5-3-02-81	Commercial	B-CT	13,092 SF	15-Dec-06	\$300,000	\$22.91
B-4	(2) 5-1-10-1	Commercial	B-CT	9,294 SF	09-Oct-07	\$148,500	\$15.98
B-5	(2) 5-1-10-2	Commercial	B-CT	8,750 SF	09-Oct-07	\$141,000	\$16.11
B-6	(2) 5-3-06-39	Commercial	B-CT	10,844 SF	26-Jun-12	\$140,000	\$12.91
B-7	(2) 5-3-02-127	Commercial	B-CT	17,511 SF	12-Dec-12	\$146,000	\$8.34
<b>Industrial</b>							
I-1	(2) 5-2-31-11, 12,13	Industrial	M-1	106,905 SF	29-Dec-06	\$1,181,000	\$11.05
I-2	(2) 5-3-01-8	Industrial	M-2	114,226 SF	07-Mar-14	\$355,000	\$3.11
B-1	See Above						
B-2	See Above						
B-6	See Above						
B-7	See Above						



Table 3 (Continued)

**LAND TRANSACTIONS SELECTED FOR DETAILED COMPARISON**  
**Molokai Ranch Properties**  
**Molokai, Hawaii**

Refere No.	Tax Map Key(s)	Highest & Best Use	Zoning	Land Area In Acres/S.F.	Transaction Date	Sales Price	Per Acre/S.F.
<b>Maunaloa Residential Lots</b>							
R-1	(2) 5-1-09-59	Residential Lot	Interim	7,100 SF	27-Dec-17	\$65,000	\$9.15
R-2	(2) 5-1-09-17	Residential Lot	Interim	7,157 SF	30-Nov-17	\$51,000	\$7.13
R-3	(2) 5-1-09-87	Residential Lot	Interim	6,701 SF	07-Jul-17	\$60,000	\$8.95
R-4	(2) 5-1-09-57	Residential Lot	Interim	6,356 SF	05-Jul-17	\$34,000	\$5.35
R-5	(2) 5-1-09-92	Residential Lot	Interim	10,255 SF	26-Jun-17	\$64,000	\$6.29
R-6	(2) 5-1-10-84	Residential Lot	Interim	5,405 SF	24-May-17	\$34,500	\$6.38
<b>Single Family Homes</b>							
SF-1	(2) 5-1-9-99	Single Family Home	Interim	1,197 (3)	04-Aug-17	\$352,000	\$294.07
SF-2	(2) 5-1-10-63	Single Family Home	Interim	1,120 (3)	30-Nov-17	\$227,500	\$203.13
SF-3	(2) 5-1-10-46	Single Family Home	Interim	1,222 (3)	31-Jan-18	\$199,501	\$163.26
SF-4	(2) 5-1-09-68	Single Family Home	Interim	1,296 (3)	25-Oct-17	\$245,000	\$189.04
SF-5	(2) 5-1-9-56	Single Family Home	Interim	2,556 (3)	30-Dec-16	\$378,000	\$147.89
<b>Residential Potential Urban Expansion</b>							
BR-1	(2) 5-4-02-4	Residential Expansion	Interim	18.200 AC	16-Jun-06	\$1,300,000	\$71,429
BR-2	(2) 5-6-04-18	Residential Expansion	Interim	13.747 AC	09-Mar-09	\$425,000	\$30,916
BR-3	(2) 5-6-04-31	Residential Expansion	Interim	2.483 AC	13-Mar-09	\$160,000	\$64,438
BR-4	(2) 5-2-29-57	Residential Expansion	Interim	2.593 AC	25-Mar-14	\$187,500	\$72,171
<b>Resort Residential Interior/Maunaloa Lodge Site</b>							
RR-1	(4) 3-9-20-32	Multifamily	H-2 Hotel	1.438 AC	21-Jul-17	\$1,500,000	\$1,043,115
RR-2	(3) 7-3-62-53	Multifamily	RS-10	19.930 AC	06-Oct-16	\$6,765,700	\$339,473
RR-3	(1) 8-6-15-53	Commercial/Multifamily	R-5	3.175 AC	22-Feb-16	\$1,500,000	\$472,441
RR-4	(1) 8-4-02-54	Resort Residential	Resort	35.709 AC	16-Jul-15	\$5,300,000	\$148,422
RR-5	(3) 6-8-3-28	Resort Residential	RM-1.5	4.600 AC	16-Apr-15	\$1,000,000	\$217,391
<b>Resort Oceanfront/Kaluakoi Hotel Site</b>							
O-1	(4) 5-4-12-5, 8 & 9	Resort Residential	R-10/Open	10.000 AC	18-Sep-15	\$21,037,521	\$2,103,752
O-2	(4) 4-3-2-15, 16, 20	Resort Residential	RR-20/Open	20.971 AC	01-Jul-15	\$12,500,000	\$596,061
O-3	(4) 4-3-7-27	Resort Residential	RR-20/Open	11.783 AC	19-Mar-15	\$3,657,500	\$310,405
O-4	(4) 4-3-9-41, 50	Resort Residential	R-20/Open	1.710 AC	05-Jul-12	\$3,650,000	\$2,134,503
O-5	(4) 2-8-17-9, 26, 27, (4) 2-8-14-18	Resort Residential	R-20/Open	21.825 AC	01-Jan-12	\$33,275,000	\$1,524,628
<b>Resort Urban Expansion Acreage/Kaluakoi Golf Course Land</b>							
U-1	(2) 3-8-05-7,35,36	Development	PK	7.310 AC	24-Dec-14	\$350,000	\$47,880
U-2	(2) 2-6-09-18,19	Development	P-1	1.085 AC	17-Jun-14	\$22,000	\$20,276
U-3	(2) 3-2-13-25	Development	Interim	1.650 AC	07-Dec-10	\$75,000	\$45,455

Table 3 (Continued)

**LAND TRANSACTIONS SELECTED FOR DETAILED COMPARISON**  
**Molokai Ranch Properties**  
**Molokai, Hawaii**

Refere No.	Tax Map Key(s)	Highest & Best Use	Zoning	Land Area In Acres/S.F.	Transaction Date	Sales Price	Per Acre/S.F.
<b>Ranch Lots</b>							
RA-1	(2) 5-1-08-48	Oceanfront Ranch Lot	Agriculture	6.450 AC	28-Feb-16	\$479,000	\$74,264
RA-2	(2) 5-1-08-44	Oceanfront Ranch Lot	Agriculture	5.660 AC	01-Jul-17	\$500,000	\$88,339
RA-3	(2) 5-1-07-47	Oceanfront Ranch Lot	Agriculture	10.679 AC	06-Jul-15	\$1,290,000	\$120,798
RA-4	(2) 5-1-07-56	Oceanfront Ranch Lot	Agriculture	6.530 AC	06-Jul-15	\$2,500,000	\$382,848
RA-5	(2) 5-1-04 to 08	Interior Ranch Lots	Agriculture	20.8-73.22 AC	Various	\$189,000- \$300,000	\$2,862- \$10,815
<b>Golf Course</b>							
G-1	(1) 4-5-08-38; 4-5-30: various; 4-5-59: various	Golf Course	P-2, R-5	114.951 AC	Mar-06	\$11,000,000	\$611,111(5)
G-2	(2) 2-2-24-12,13	Golf Course	PK-4, R-1	177.932 AC	Jul-14	\$9,000,000	\$500,000(5)
G-3	(2) 2-3-09-4; 2-3-56-97, etc	Golf Course	PK-4, R-3	174.539 AC	Aug-14	\$3,950,000	\$219,444(5)
<b>Infill Lots</b>							
M-1	(2) 5-2-16-70	Residential Lot	Interim	7,749 SF	28-Jun-11	\$55,000	\$7.10
M-2	(2) 5-2-16-56	Residential Lot	Interim	14,521 SF	08-Aug-11	\$45,000	\$3.10
M-3	(2) 5-2-20-36	Residential Lot	Interim	7,676 SF	07-Oct-11	\$79,000	\$10.29
M-4	(2) 5-3-04-9	Residential Lot	Interim	6,000 SF	29-Jan-09	\$40,000	\$6.67
M-5	(2) 5-3-04-24	Residential Lot	Interim	12,000 SF	26-Jan-12	\$45,000	\$3.75
M-6	(2) 5-3-18-41	Residential Lot	Interim	21,143 SF	26-Jun-14	\$145,000	\$6.86
M-7	(2) 5-3-02-17	Residential Lot	Interim	16,335 SF	10-Mar-14	\$75,000	\$4.59

- (1) East Maui Hana Ranch sale; 36 parcels – Pasture Land much of which remains forested.
- (2) Island of Lanai sale – allocated agriculture land value for Bulk Holding consisting of a portion of a single parcel.
- (3) Living area in square feet.
- (4) Listing Price.
- (5) Price Per Hole.

Source: CBRE

## WEST AGRICULTURAL LANDS

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
<b>Kaluakoi AG</b>					
5-1-03-2	172.924	Fee Simple	AG	Vacant	Owner Occupancy
<b>Maunaloa AG</b>					
5-1-01-1	23.652	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-4	16,392.146	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-5	7.350	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-13	0.142	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-18	36.727	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-38	0.072	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-1	4,148.893	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-23	3,266.096	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-24	1,518.267	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-29	1,483.468	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-30	6,348.623	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-31	1,439.238	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-32	897.399	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-33	624.683	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-34	155.371	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-35	5,356.442	Fee Simple	AG	Vacant	Owner Occupancy
<b>Maunaloa Near Oceanfront</b>					
5-1-02-49	295.169	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-50	51.035	Fee Simple	AG	Vacant	Owner Occupancy
<b>Aggregate</b>	<b><u>42,217.697</u></b>				

**Location/Address**

Kaluakoi-Punakou-Ioli-Hoolehua (Apana 1), Molokai, Hawaii.

**Site Specific Environs**

This land grouping consists of agricultural holdings on the western portion of Molokai, generally situated west of Palaau ahupua'a. The area is comprised of relatively level to undulating hills in the western and northern portions, and moderately steep areas accented by north-south gulches that slope from about the 1,000-foot elevation along the southern coastline. As shown on the highlighted map, it includes extensive ocean frontage.

The northern and southern portions of the island are primarily served by State Highway 460 (aka Maunaloa Highway) that connects Molokai Airport at Ho'olehua to Maunaloa Village. Other than Kaluakoi Road, which extends from Maunaloa Highway to the coastal resort area, and other resort and Maunaloa Village interior roadways, roads are unimproved dirt or gravel.

Western Molokai is sparsely populated, with Maunaloa Village being the principal urban enclave west of the airport. As of the 2010 census Maunaloa's population was 376 persons representing about five percent of the island's total population of 7,345.

## PROPERTY DATA AND DESCRIPTION

<b>State Land Use</b>	Agriculture.
<b>Ownership</b>	Title to the fee simple interest to the Kaluakoi Resort subject parcel TMK (2) 5-1-3-2 is held by Kaluakoi Real Estate LLC (Kaluakoi Resort), a subsidiary of Molokai Properties Limited. All other properties are owned by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.
<b>Physical Description</b>	<p><u>Kaluakoi AG</u> – The Kaluakoi AG parcel is a 172.924-acre parcel situated adjacent to and east of the Kaluakoi Resort area's golf course and main entry road. Given its location, the parcel may have future long-term expansion potential for the resort but has been evaluated for this assignment as agricultural land.</p> <p><u>Maunaloa AG</u> – The northern and western portions of the island are good, grazing/agricultural lands with approximately 8,000 acres in western Molokai that were at one time in pineapple cultivation. These areas have been leveled and are serviced by non-paved interior roadways.</p> <p>The northern coastline has clifflines with heights of up to 500 feet, and a portion of the north central area contains a large sand dune area. There is limited access to the shoreline at the eastern end of this area near Kawaaloo Bay and Moomomi Beach.</p>

The western shoreline is rocky with stretches of white sand beach. The coastline is generally accessible and approached over a moderately sloping coastal plain periodically broken by a series of east-west gulches/gullies. Within this area is the Kaupoa Beach Village camp (appraised separately).

The southern coastal region generally extends from Maunaloa Highway in the north to the southern coastline and from Lono Harbor in the west to Waiahewahewa Gulch in the east. Except for cliffline, this area is the most rugged of the Maunaloa AG area. Slopes are moderate to steep with the coastal flanks periodically sliced by a series of 13 major north-south gulches that extend from about the 1,000-foot elevation to the coastline.

Maunaloa Near Oceanfront – This area consists of parcels situated immediately mauka of Lono Harbor at Haleolono Point, created during the 1970s. The properties are serviced by a good quality unimproved roadway that extends to Lono Harbor from Maunaloa Village. Expansive ocean and south Molokai coastal views are available from this area.

## VALUATION ANALYSIS

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	<u>Kaluakoi AG</u> – Agriculture with future development.  <u>Maunaloa AG</u> – Agriculture.  <u>Maunaloa Near Oceanfront</u> – Potential future residential estate(s).
<b>Specific Value Considerations</b>	The Molokai Ranch equestrian facility (TMK 5-1-2, Parcel 23) involved specific value considerations identified later.
<b>Valuation Approach Utilized</b>	The sales comparison approach was utilized to value various individual parcels as well as assemblage configurations within the 42,217.697- acre West Molokai area.

**Comparables Examined**

The closure of Molokai Ranch in 2008 had a significant impact on land sales activity, particularly bulk agriculture transactions. As previously summarized in Table 3, there have been no recent and only three Molokai sales in excess of 100 acres in size since 2012. Three Molokai transactions (A-1 through A-3) are most proximate and therefore relevant to the subject agricultural land holdings. All transactions are situated in East Molokai with Transactions A-1 (148.110 acres—\$530,000 or \$3,578 per acre) and A-2 (508.000 acres—\$850,000 or \$1,673 per acre) being generally narrow and long extending upslope. The slopes associated with these properties are relatively steep, being inferior to the subject agricultural holdings. Transaction A-3 (312.850 acres—\$930,000 or \$2,973 per acre) is on the far eastern end of the island near Halawa Valley, several of the smaller non-contiguous parcels associated with this transaction are located within the Halawa Stream. The largest parcel (TMK (2) 5-8-15, Parcel 6) has relatively broad frontage along Kamehameha V Highway and is relatively steep. The parcel is located about 25 miles east of Molokai's main town of Kaunakakai.

The three Molokai bulk agricultural transactions were previously reported in our 2015 valuation and are generally inferior to the subject.

Fortunately, supplementing the few Molokai agricultural transactions are several other bulk agricultural land transactions on the islands of Maui, Lanai and Hawaii.

The Maui island transaction (A-4) involves the sale of 3,452.940 acres in 36 parcels associated with Hana Ranch. The non-contiguous ranch parcels are mauka pasture land without coastal orientations; major portions are heavily forested and not readily usable. The Hana area is difficult to access along the famous Hana Highway, which is very narrow and winding (approximately two hours from Kahului). The combined Hana Ranch holdings transacted for \$4,750,000 or \$1,376 per acre.

In June 2012 Mr. Larry Ellison purchased about 98 percent of the island of Lanai (Transaction A-5). Molokai and Lanai share many similar physical characteristics particularly as it relates to large agricultural land for pasture and ranching use.

Based on confirmation with representatives of the buyer, we understand the confidential June 2012 bulk purchase price by Mr. Ellison for Castle & Cooke's interest in Lanai, which when combined with the retained rights to a future wind farm, is fairly represented at approximately \$300,000,000 (rather than prior representations conveyed by the seller).

This asset includes approximately 88,000 acres of feral agricultural and conservation land, portions of Lanai City, and urban expansion and resort development that includes the Koele and Manele Bay hotels and golf courses. Lanai's agricultural lands alone comprise about 43,259 acres.

After it was announced that the island was for sale, Castle & Cooke sources confirmed there were several interested parties, and the ultimate buyer selection was based on what Castle & Cooke thought would be best for the island and its residents. While the acquisition is a unique purchase, it was a negotiated bulk purchase to a single buyer that was meaningfully less than the aggregate value of the assets of \$500 to \$600 million commonly referenced in the media.

There was significant discounting from the cumulative value of the individual tax map key parcels, and even from total value of the asset groups assuming multiple buyers over a reasonable extended sell-off period. The physical attributes of the agricultural lands are most similar to Molokai's West Agricultural holdings.

In considering this acquisition as an indice for Molokai, particularly the MPL agricultural lands, we have looked at it from both the bulk and aggregate (pre-discounted) perspectives. And, due to the lack of purchaser allocation, have given this transaction less weight than was afforded in our earlier valuation.

We have also included six more recent bulk land sales on the island of Hawaii. Transaction A-6 and A-7 both occurred in the South Kohala district of the island. Transaction A-6 is a bulk agricultural land sale mauka of Queen Kaahumanu Highway behind the Mauna Kea residential resort development adjacent to and accessed off of Kawaihae Road. The property is rocky, arid and has no water available to it. The October 2016 sale consists of two land parcels totaling 844.099 acres with a sale price of \$6,300,000 or \$7,464 per acre. This property has superior locational attributes near Mauna Kea Resort.

Transaction A-7 is a bulk land holding with frontage on Queen Kaahumanu Highway, across from Mauna Lani Resort. It also has superior access along Queen Kaahumanu Highway and is very arid lacking water in the immediate area. The property consists of rocky lava land with Keawe trees, brush and grasses. The property comprises two parcels and totals 810.752 acres. It sold in July 2016 for \$7,000,000, or \$8,634 per acre.

Transactions A-8 and A-9 are both located in the South Kona district, with Transaction A-8 being two sales between the same seller and buyer. The two sales A-8a (December 2016 1,392.710 acres) and A-8b (September 2017), were agreed to at the same time, with a due diligence period for the buyer to decide whether to purchase an additional 500 acres.

The above properties are not contiguous, however access between the two properties over ranch roadways was secured. The purchaser intends to undertake large scale coffee farming on the combined holding. A total purchase price of \$13,499,999, or \$7,133 per acre was paid for the two properties.

Transaction A-9 was the purchase of three large parcels (641.304; 1,343.625; and 1,260.710 acres) mauka of Mamalahoa Highway. The parcels are moderate to steep and forested. The parcels were purchased in April 2017 by the United States of America, Fish and Wildlife Service for inclusion in a National Wildlife Refuge. A total area of 3,245.639 acres was associated with this combined transaction. The purchase price was a reported \$10,660,000, or \$2,963 per acre.



Transactions A-10 and A-11 are both located in the Ka'u district, which is over an hour from either Kailua-Kona or Hilo and is very similar to Molokai. Transaction A-10 consists of five parcels that total 354.325 acres. The sale price was \$1,050,000 or \$2,963 per acre.

Transaction A-11 is a single 3,220.992-acre parcel that sold for \$7,100,000 or \$2,204 per acre.

**Selected Bulk Value Per Acre**

From our review and confirmation of the eleven Molokai, Maui, Lanai and Hawaii island bulk agricultural land sale value indicators, a fee simple land value of \$2,000 per acre was applied to the agricultural properties located in West, Central and Southeast Molokai.

The Central agricultural holdings have much more fertile soil, and in earlier appraisals prior to our 2012 opinion, these holdings were afforded per acre values higher than the West Molokai agricultural lands. Similarly, the Southeast agricultural lands have much greater proximity to Kaunakakai but are generally steeper with a number of gulches traversing the land holding.

However, all Molokai holdings have been valued at the same per acre rate in deference to the overall unallocated 2012 Lanai value indicator, it being our only very large bulk holding in excess of 5,000 acres.

We acknowledge that there are smaller agricultural parcels (under 15- acres in size), and those which have ocean frontage, some with extensive coastline. The oceanfront parcels, under the premise of agriculture as the highest and best use of the land, were valued using the same \$2,000 per acre and were not afforded an added contributory value due to their oceanfront locations.

### Significant Structural Improvements

The Molokai Ranch equestrian facility includes an extensive lighted rodeo arena with an announcer/timer stand, animal pens and chutes, spectator bleachers and parking for 1,500 spectators. Within the complex are a kitchen/restaurant and snack bar, three working barns, a show barn with attached office and retail space, feed barn, hot walker and horse wash down facilities, and corral system with numerous cells and lanes. This facility was an icon for the ranch intended to establish prominence for the ranch and Maunaloa Village. It was constructed between 1994 and 1998 at a then cost of over \$2 million for structural and site improvements, excluding furniture, fixtures and equipment.

The contributory value of the equestrian facility was estimated by depreciated cost analysis employing construction costs and service dates provided by the client, and depreciation applied by the analysts. Depreciation considered both the physical condition of the structures and external factors such as current economic circumstances. The contributory value was estimated at \$1,080,000. Adding this to the previously concluded fee simple land value of \$84,435,000 indicates a total property value for the Western Agricultural Lands.

### **Concluded Market Value**

As shown on Table 4, MPL's West Molokai Agriculture lands were estimated to have an aggregate rounded value of **\$85,515,000**, as of July 31, 2018.

Table 4

**WEST AGRICULTURAL LANDS VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
<b>Kaluakoi AG</b>					
2-5-1-03-2	172.924	Fee Simple	Vacant	\$345,800	12-18 Months
<b>Maunaloa AG</b>					
2-5-1-01-1	23.652	Fee Simple	Vacant	\$47,300	12-18 Months
2-5-1-02-4	16,392.146	Fee Simple	Vacant	\$32,784,300	2-3 Years
2-5-1-02-5	7.350	Fee Simple	Vacant	\$14,700	Submerged Land
2-5-1-02-13	0.142	Fee Simple	Vacant	\$300	2-3 Years
2-5-1-02-18	36.727	Fee Simple	Vacant	\$73,500	12-18 Months
2-5-1-02-38	0.072	Fee Simple	Vacant	\$100	2-3 Years
2-5-1-02-1	4,148.893	Fee Simple	Vacant	\$8,297,800	2-3 Years
2-5-1-02-23	3,266.096	Fee Simple	Vacant/ Eq. Facilities	\$6,532,200	2-3 Years
2-5-1-02-24	1,518.267	Fee Simple	Vacant	\$3,036,500	2-3 Years
2-5-1-02-29	1,483.468	Fee Simple	Vacant	\$2,966,900	2-3 Years
2-5-1-02-30	6,348.623	Fee Simple	Vacant	\$12,697,200	2-3 Years
2-5-1-02-31	1,439.238	Fee Simple	Vacant	\$2,878,500	2-3 Years
2-5-1-02-32	897.399	Fee Simple	Vacant	\$1,794,800	2-3 Years
2-5-1-02-33	624.683	Fee Simple	Vacant	\$1,249,400	2-3 Years
2-5-1-02-34	155.371	Fee Simple	Vacant	\$310,700	2-3 Years
2-5-1-02-35	5,356.442	Fee Simple	Vacant	\$10,712,900	2-3 Years
2-5-1-02-49	295.169	Fee Simple	Vacant	\$590,300	12-18 Months
2-5-1-02-50	51.035	Fee Simple	Vacant	\$102,100	12-18 Months
<b>Equestrian Facilities (Improvements Contribution)</b>					
2-5-1-02-23 (Por.)	above	Fee Simple	Eq. Facilities	\$1,080,000	2-3 Years
<b>Aggregate</b>	<b><u>42,217.697</u></b>		<b>Rounded</b>	<b><u>\$85,515,000</u></b>	

CENTRAL AGRICULTURAL LANDS

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-2-11-26 (por.)	846.017	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-38	14.750	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-23	6.131	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-25	79.900	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-27 (por.)	570.507	Fee Simple	AG	Vacant	Owner Occupancy
5-2-12-29 (por.)	0.970	Fee Simple	AG	Vacant	Owner Occupancy
5-2-13-3	1,011.360	Fee Simple	AG	Vacant	Owner Occupancy
5-2-13-16	0.850	Fee Simple	AG	Vacant	Owner Occupancy
5-2-13-21 (por.)	59.783	Fee Simple	AG	Vacant	Owner Occupancy
<b>Aggregate</b>	<b><u>2,590.268</u></b>				

**Location/Address**

Hoolehua (Apana 2)-Naiwa-Kahananui-Manowainui, Molokai, Hawaii.

**Site Specific Environs**

This land grouping consists of holdings within the central portion of Molokai, generally situated east of Palaau ahupua'a and west of Kalamaulua and the island's principal urban area of Kaunakakai. At the center of this area is the island's second largest population center, Kualapu'u with a 2010 Census population of 2,027 or approximately 27.6 percent of the island's 2010 population of 7,345.

The northern and southern portions of the island are bisected by State Highway 460, also known as Maunaloa Highway, a macadam two-lane roadway that extends past Molokai Airport at Ho'olehua to Maunaloa Village in the west and Kaunakakai in the southeast. Kala'e Highway (aka State Highway 470) provides access to the Kalaupapa Overlook at the North Pali (cliffline).

**PROPERTY DATA AND DESCRIPTION**

<b>State Land Use</b>	Agriculture.
<b>Ownership</b>	TMK 5-2-11, Parcel 27 is owned by Cooke Land Company, Inc., a subsidiary of Molokai Properties Limited. All other properties are owned by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.
<b>Physical Description</b>	<p><u>Kualapuu AG</u> – The area is comprised of relatively flat lowlands along the island’s southern coastal mudflats gently rising to the 1,000+ foot northern coastal clifflines. Rainfall increases as elevations rise.</p> <p>Several steep, narrow gulches are located along the northern coastline and extend into the northern-most Central Molokai properties. These gulches tend to impact the accessibility of interior portions of the properties. Access to most usable portions of the property are via unimproved dirt roads and four-wheel drive trails. There are also several broader shallow gulch systems which impact the Kualapu’u area.</p> <p>Much of the Central Molokai area formed the heart of the island’s former pineapple production. Since the closing of the pineapple plantation in the mid-1980s, attempts to diversify agricultural product lines have been made by several agricultural companies to produce seed and crops year-round in the area’s mild climate. Efforts continue to convert fledgling coffee production farms into viable operations. Much of the land currently lies fallow and has not been in production for close to 20 years.</p> <p>There are reported archaeological sites on portions of the Central Agriculture Lands and the Molokai Landfill is located on approximately 21 acres of TMK (2) 5-2-11, Parcel 27. The area associated with the landfill plus 61.648 acres that are encumbered by a 99-year lease to Goodfellow Brothers were deducted from the total tax map key area of 653.155 acres to yield the 570.507 acres valued.</p>

## VALUATION ANALYSIS

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	<u>Kualapuu</u> – Agriculture.
<b>Concluded Market Value</b>	Consistent with our analysis of the West Agriculture Lands the Central Agriculture Lands have also been valued at \$2,000 per acre. As shown on Table 5, the Central Agriculture Lands were estimated to have an aggregate rounded value of <b>\$5,181,000</b> , as of July 31, 2018.

Table 5

**CENTRAL AGRICULTURAL LANDS VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
2-5-2-11-26 (por.)	846.017	Fee Simple	Vacant	\$1,692,000	2-3 Years
2-5-2-11-38	14.750	Fee Simple	Vacant	\$29,500	2-3 Years
2-5-2-11-23	6.131	Fee Simple	Vacant	\$12,300	2-3 Years
2-5-2-11-25	79.900	Fee Simple	Vacant	\$159,800	2-3 Years
2-5-2-11-27 (por.)	570.507	Fee Simple	Vacant	\$1,141,000	2-3 Years
2-5-2-12-29 (por.)	0.970	Fee Simple	Vacant	\$1,900	12-18 Months
2-5-2-13-3	1,011.360	Fee Simple	Vacant	\$2,022,700	2-3 Years
2-5-2-13-16	0.850	Fee Simple	Vacant	\$1,700	2-3 Years
2-5-2-13-21(por.)	59.783	Fee Simple	Vacant	\$119,600	2-3 Years
<b>Aggregate</b>	<b><u>2,590.268</u></b>		<b>Rounded</b>	<b><u>\$5,181,000</u></b>	

## SOUTHEAST AGRICULTURAL LANDS

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-3-3-1	1,768.310	Fee Simple	AG	Vacant	Owner Occupancy
5-3-3-2	50.000	Fee Simple	AG	Vacant	Owner Occupancy
5-3-3-15	3.726	Fee Simple	AG	Vacant	Owner Occupancy
5-3-3-16	13.259	Fee Simple	AG	Vacant	Owner Occupancy
5-3-3-17	0.497	Fee Simple	AG	Vacant	Owner Occupancy
5-3-3-20	1,718.596	Fee Simple	AG	Vacant	Owner Occupancy
<b>Aggregate</b>	<b><u>3,554.388</u></b>				

**Location/Address** Kaunakakai and Kawela, Molokai, Hawaii.

**Site Specific Environs** This land grouping primarily consists of large land holdings mauka of Kaunakakai, the principal urban center on Molokai. Within this grouping are several smaller holdings in the Kawela area.

Kaunakakai is rural in appearance, with a relatively smaller urban/commercial core. The town services the island's population of 7,345 as of the 2010 Census. Approximately 46.6 percent of Molokai's residents reside in this area. Kaunakakai hosts the island's commercial harbor, and it connects the east and west segments of the island.

## PROPERTY DATA AND DESCRIPTION

**State Land Use** Agriculture.

**Ownership** All of the subject properties within this area are owned by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description** Kaunakakai AG – The subject bulk agricultural parcels in this area extend on the east side of and behind Kaunakakai Village from sea level to about the 1,975-foot elevation at the Forest Reserve boundary; above the 1,300-foot elevation, the holding becomes much steeper. The property is bisected lengthwise by Kaunakakai Gulch, a relatively broad and steep ravine.

The property may be accessed from Kaunakakai Village, where there are several unimproved four-wheel drive trails extending inland, and alternative access points near Homelani Cemetery and beyond.

Much of the holding below the Forest Reserve is relatively void of large vegetation, with most trees having been removed to facilitate cattle grazing on the property.

**VALUATION ANALYSIS**

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	<u>Kaunakakai</u> – Agriculture.
<b>Concluded Market Value</b>	Consistent with our analysis of the West Agriculture Lands the Southeast Agriculture Lands have been valued at \$2,000 per acre. As shown on Table 6, the Southeast Agriculture Lands were estimated to have an aggregate rounded value of <b>\$7,109,000</b> , as of July 31, 2018.

**Table 6**

**SOUTHEAST AGRICULTURAL LANDS VALUE CONCLUSIONS  
Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
2-5-3-03-1	1,768.310	Fee Simple	Vacant	\$3,536,600	2-3 Years
2-5-3-03-2	50.000	Fee Simple	Vacant	\$100,000	2-3 Years
2-5-3-03-15	3.726	Fee Simple	Vacant	\$7,500	2-3 Years
2-5-3-03-16	13.259	Fee Simple	Vacant	\$26,500	2-3 Years
2-5-3-03-17	0.497	Fee Simple	Vacant	\$1,000	2-3 Years
2-5-3-03-20	<u>1,718.596</u>	Fee Simple	Vacant	<u>\$3,437,200</u>	2-3 Years
<b>Aggregate</b>	<b><u>3,554.388</u></b>		<b>Rounded</b>	<b><u>\$7,109,000</u></b>	



INDEPENDENT CONSERVATION LANDS

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-2-13-5	82.824	Fee Simple	Conservation	Vacant	Owner Occupancy
5-2-13-33	20.176	Fee Simple	Conservation	Vacant	Owner Occupancy
5-3-03-5	1,240.000	Fee Simple	Conservation	Vacant	Owner Occupancy
5-4-03-26	2,773.740	Fee Simple	Conservation	Vacant	Owner Occupancy
<b>Aggregate</b>	<b><u>4,116.740</u></b>				

**Location/Address** Nihoa, Kaunakakai and Kawela, Molokai, Hawaii.

**Site Specific Environs** This land grouping consists of conservation zoned land holdings in the upper mauka regions of Nihoa within Palaau State Park, and remote areas of Kaunakakai and Kawela ahupua’a. These areas are essentially unimproved and serve as watershed areas for the island.

Vehicular access is very difficult or impossible; foot trails lead into these areas. Each area is heavily forested.

PROPERTY DATA AND DESCRIPTION

**State Land Use** Conservation

**Ownership** All of the subject properties within this grouping are owned by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description** Nihoa – TMK (2) 5-2-13-5 and 33 is accessible only by foot and is situated west of Phallic Rock near Puu Lua. The property is relatively level at about the 1,300-foot elevation, and abuts and overlooks the Kalaupapa Pali (cliffline).

Kaunakakai – TMK (2) 5-3-03-5 is situated between the 1,975- and 3,100-foot elevations. The property is accessible via an unimproved dirt roadway that is off State Highway 460 and used to service well sites and water aquaduct systems that provide water to the island. The subject is heavily forested.

Kawela – TMK (2) 5-4-03-26 is situated between the 2,600- and 4,250-foot elevations. The holding is known as the Kamakou Preserve area, which abuts dramatic Palis (clifflines) overlooking Waikolu and Pelekunu Valleys. The property is only accessible via unimproved foot paths.

**VALUATION ANALYSIS**

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	<u>Nihoa</u> – Conservation (Nihoa; potentially a single house site).  <u>Kaunakakai and Kawela</u> – Conservation - Watershed.
<b>Specific Value Considerations</b>	The market for true bulk-acreage conservation parcels throughout the State of Hawaii is generally viewed as being a unified market. Typical purchasers are governmental agencies for watershed or preservation uses, or conservation groups/organizations.  The per acre value of these holdings has generally ranged from about \$450 to \$1,000 per acre depending on location, access, terrain and the potential for ancillary conservation uses.
<b>Valuation Approach Utilized</b>	The sales comparison approach was utilized to value various individual parcels and assemblage configurations within the 4,116.740-acre Independent Conservation Molokai grouping.
<b>Concluded Market Value</b>	Our search of the market for Conservation property transactions was previously presented on Table 3. From this data we bracketed and conclude a fee simple value of \$700 per acre for the subject Conservation acreage. As summarized on Table 7, the Independent Conservation lands were estimated to have an aggregate value of <b>\$2,881,700</b> , as of July 31, 2018.

**Table 7**

**INDEPENDENT CONSERVATION LANDS VALUE CONCLUSIONS  
MOLOKAI PROPERTIES LIMITED REAL PROPERTY ASSETS**

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
2-5-2-13-5	82.824	Fee Simple	Vacant	\$58,000	2+ Years
2-5-2-13-33	20.176	Fee Simple	Vacant	\$14,100	2+ Years
2-5-3-03-5	1,240.000	Fee Simple	Vacant	\$868,000	2+ Years
2-5-4-03-26	<u>2,773.740</u>	Fee Simple	Vacant	<u>\$1,941,600</u>	2+ Years
<b>Aggregate</b>	<b><u><u>4,116.740</u></u></b>			<b><u><u>\$2,881,700</u></u></b>	

KAUNAKAKAI AND MAUNALOA COMMERCIAL PROPERTIES

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-3-01 (various)	15.665	Fee Simple	B-CT/Interim	Vacant Lots	Investment
5-3-06-33	1.018	Fee Simple	B-CT/Interim	Vacant Lot	Investment
5-1-02-45	4.404	Fee Simple	B-CT	Improved/Vacant	Owner Occupancy
5-1-09 (various)	4.807	Fee Simple	B-CT	Improved/Vacant	Investment/Sale
5-1-10 (various)	2.931	Fee Simple	B-CT	Improved/Vacant	Investment/Sale
<b>Total</b>	<b>28.825</b>				

**Location/Address** Kaunakakai and Maunaloa, Molokai, Hawaii

**Site Specific Environs** TMKs 5-3-01 (various) and 5-3-06, Parcel 33 are located on the makai side of Kamehameha V Highway in Kaunakakai in the vicinity of the Kaunakakai Wharf and the former Pau Hana Inn. These parcels are situated in close proximity to the center of Kaunakakai town. TMK 5- 3-06, Parcel 33 is a flag lot with access off of Oki Place.

TMKs 5-1-02, Parcel 45; 5-1-09 (various); and 5-1-10 (various) are situated in and around Maunaloa Village and include an assortment of vacant lots and parcels improved with old buildings.

PROPERTY DATA AND DESCRIPTION

**State Land Use** TMK 5-3-01 (various) – Urban  
 TMK 5-3-06, Parcel 33 – Urban  
 TMK 5-1-02, Parcel 45 – Urban  
 TMK 5-1-09 (various) – Urban  
 TMK 5-1-10 (various) – Urban

**Ownership** The fee simple interests of all properties are held by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description**

TMKs 5-3-01 (various) and 5-3-06, Parcel 33 represent a combination of B-CT and Interim zoned lots in the Kaunakakai area generally bounded by Kamehameha V Highway, Kaunakakai Place, Beach Place, and Oki Place. Due to its proximity to Kaunakakai town, use of this land for urban expansion is reasonably probable.

The subdivided lots generally range between 9,119 and 18,282 square feet, with two unsubdivided lots containing 201,640 and 294,475 square feet. TMK 5-3-06, Parcel 33 is a large flag lot containing 44,358 square feet. The sites are generally level and served by paved roadways. Electricity and telephone service is available in the area, and water is available along Kamehameha V Highway.

TMKs 5-1-02, Parcel 45; 5-1-09 (various); and 5-1-10 (various) represent virtually all of the B-CT zoned land in Maunaloa Village. TMKs 5-1-09, Parcels 110 through 115; and 5-1-10, Parcels 3 through 7 are vacant unsold Maunaloa commercial lots. These parcels range in size between 8,709 and 31,585 square feet and are rectangular to slightly irregular and level to slightly sloping. TMK 5-1-02, Parcel 45 has a near rectangular predominant shape and a long tail portion. This slightly sloping site contains a total land area of 191,840 square feet. TMK 5-1-09, Parcel 117 is a 79,840-square-foot elongated corner site along the north side of Maunaloa Road that slopes gradually upward west to east. Located on the south side of Maunaloa Road, TMK 5-1-10, Parcel 8 contains 83,748 square feet and is a near rectangular double corner site that slopes gradually upward from west to east. All of these parcels have paved roadway access and availability of utilities include water, electricity, and telephone service.

**Improvement Description**

The majority of the commercial sites are vacant. Those with improvements are described below:

TMK 5-1-02, Parcel 45 – This site is improved with the 1,290-square-foot wood frame Libby’s building (built in 1925), bandstand, and multiple old wood frame dwellings which were relocated to this property to be preserved as a museum for old plantation homes. The homes are not occupied and are not being actively restored.

TMK 5-1-09, Parcel 117 – There are four buildings (built in 1938- 1941) situated on this property; the former Village Grill restaurant containing 5,085 square feet, and three cottages ranging in size between 763 and 1,116 square feet. The Village Grill building is a significantly renovated wooden structure which is currently shuttered, but adequately maintained. All cottages are older wood frame structures in poor condition.

TMK 5-1-10, Parcel 8 – The Maunaloa General Store and Dispatch buildings are located on this property. Containing 5,130 square feet, the older wood frame general store building (built in 1938) has a retail store in the front and storage space in the rear. The wood frame Dispatch building contains 3,953 square feet and formerly housed the Molokai Dispatch newspaper and doctor’s offices, and a laundromat – all of which are largely vacant. Other spaces in the building are occupied by the laundry facility for The Lodge at Molokai Ranch, thrift store and a small space rented to Taro Patch Jewelry.

## VALUATION ANALYSIS

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Commercial or commercial expansion.
<b>Specific Value Considerations</b>	All significant structural improvements involved specific value considerations detailed below.
<b>Valuation Approach Utilized</b>	A sales comparison approach was utilized to value the land component of all the commercial holdings.

### Kaunakakai Commercial Properties

For the vacant Kaunakakai commercial lots (TMK 5-3-01 (various) and 5-3-6, Parcel 33), a benchmark site (TMK 5-3-01-55) was valued accounting for differences in market conditions, location, corner/frontage, zoning, physical characteristics and size. The remaining commercial expansion lots were then valued in relation to the benchmark employing a similar rationale.

**Comparables Examined**

Commercial B-1 through B-3, B-6, and B-8 were utilized in valuing the benchmark lot. Transactions B-1 and B-2 are similarly situated on the makai side of Kamehameha V Highway. Transactions B-3 and B-8 are situated mauka of Kamehameha V Highway near the center of Kaunakakai town, and Transaction B-6 fronts on the mauka side of the highway in the vicinity of the subject holdings.

**Compensating Adjustments**

Market price trends indicate a market conditions adjustment of negative 20 percent through June 2012. From July 2012 to current for the Kaunakakai parcels, we employed an allowance of two percent per annum due to general market activity levels. The locations of Transactions B-3 and B-8 near the center of Kaunakakai town were rated superior to the benchmark. Transaction B-2 is situated off Kamehameha V Highway and was judged inferior. The M-1 zoning of Transaction B-2 was considered superior to the benchmark. Having irregular shapes, Transaction B-3 and B-8 were deemed inferior to the benchmark for physical characteristics. Except for size, no other significant adjustments were made.

Adjusted values ranged from \$9.67 to \$16.01 per square foot, with a mean of \$12.70 and a weighted value of \$12.24. The value of the 15,922-square-foot benchmark lot was concluded to be \$12.30 per square foot, or a total of \$196,000.

**Maunaloa Commercial Properties**

For the Maunaloa commercial lots (TMK 5-1-02, Parcel 45; 5-1-09 (various) and 5-1-10 (various)), a representative benchmark lot (TMK 5-1-09, Parcel 117) was valued employing the identical adjustment rationale as in the previous section. The values of the remaining commercial lots were then estimated in relation to the benchmark employing a consistent rationale.

**Comparables Examined**

Besides the comparables employed above, we added Transactions B-4 and B-5 containing 9,294 and 8,750 square feet, respectively, located in Maunaloa. These generally level and rectangular shaped B-CT zoned sites are located on Maunaloa Road across the Village Grill.

**Compensating Adjustments**

The adjustments for time employed the identical adjustment of negative 20 percent through June 2012. However, no upward market conditions allowance was considered appropriate considering the depressed conditions in Maunaloa town. Transactions B-1 through B- 3, B-6, and B-8 were judged to have superior locations in Kaunakakai. The benchmark is a corner parcel deemed superior to all transactions except for Transaction B-4. The M-1 zoning of Transaction B-2 was judged superior and irregular shapes of Transactions B-3 and B-8 inferior to the benchmark. The only other adjustment was for size.

After all adjustments, the values ranged between \$5.31 to \$8.12 per square foot, with a mean of \$6.85 and a weighted value of \$7.23. We conclude a value for the 79,840-square-foot benchmark parcel of \$7.20 per square foot, or a total fee simple value of \$575,000.

**Significant Structural Improvements**

The contributory value of all significant structural improvements were estimated by depreciated cost analysis employing construction costs and in service dates provided by the client, and depreciation applied by the analysts. Estimates of depreciation considered the physical condition of the structures and external factors such as current economic circumstances. Buildings in this grouping determined to be significant for purposes of this assignment included the Village Grill Restaurant, Libbys, Laundromat Building, and Grocery Store.

The following chart summarizes the estimated contributory values, underlying fee simple land values, and total property values for the improved properties in this grouping.

**SUMMARY OF IMPROVED PROPERTY VALUES  
Kaunakakai and Maunaloa Commercial Properties Molokai, Hawaii**

Tax Map Key	Description	Contributory Value of Improvements	Fee Simple Land Value	Total Property Value
5-1-09-117	Village Grill	\$560,000	\$575,000	\$1,135,000
5-1-10-8	General Store/Laundromat	\$520,000	\$597,000	\$1,117,000
5-1-02-45	Libbys	\$390,000	\$980,000	\$1,370,000

**Concluded Market Value in  
the Existing State**

The aggregate rounded value of the Kaunakakai and Maunaloa commercial properties are **\$10,120,000** as of July 31, 2018.

Table 8

**KAUNAKAKAI AND MAUNALOA COMMERCIAL PROPERTIES VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
2-5-1-2-45	4.404	Fee Simple	RE/Museum	\$1,370,000	1 to 2 Years
2-5-1-9-110	0.725	Fee Simple	Vacant Lot	\$240,000	1 to 2 Years
2-5-1-9-111	0.471	Fee Simple	Vacant Lot	\$162,000	1 to 2 Years
2-5-1-9-112	0.457	Fee Simple	Vacant Lot	\$159,000	1 to 2 Years
2-5-1-9-113	0.442	Fee Simple	Vacant Lot	\$155,000	1 to 2 Years
2-5-1-9-114	0.423	Fee Simple	Vacant Lot	\$150,000	1 to 2 Years
2-5-1-9-115	0.455	Fee Simple	Vacant Lot	\$169,000	1 to 2 Years
2-5-1-9-117	1.833	Fee Simple	Village Grill, etc.	\$1,135,000	1 to 2 Years
2-5-1-10-3	0.201	Fee Simple	Vacant Lot	\$101,000	1 to 2 Years
2-5-1-10-4	0.201	Fee Simple	Vacant Lot	\$101,000	1 to 2 Years
2-5-1-10-5	0.201	Fee Simple	Vacant Lot	\$101,000	1 to 2 Years
2-5-1-10-6	0.200	Fee Simple	Vacant Lot	\$100,000	1 to 2 Years
2-5-1-10-7	0.206	Fee Simple	Vacant Lot	\$108,000	1 to 2 Years
2-5-1-10-8	1.923	Fee Simple	Store/Dispatch	\$1,117,000	1 to 2 Years
2-5-3-1-1	6.760	Fee Simple	Vacant Lot	\$1,540,000	1 to 2 Years
2-5-3-1-25	0.401	Fee Simple	Vacant Lot	\$170,000	1 to 2 Years
2-5-3-1-26	0.345	Fee Simple	Vacant Lot	\$140,000	1 to 2 Years
2-5-3-1-27	0.387	Fee Simple	Vacant Lot	\$154,000	1 to 2 Years
2-5-3-1-30	4.629	Fee Simple	Vacant Lot	\$1,022,000	1 to 2 Years
2-5-3-1-47	0.349	Fee Simple	Vacant Lot	\$160,000	1 to 2 Years
2-5-3-1-48	0.343	Fee Simple	Vacant Lot	\$158,000	1 to 2 Years
2-5-3-1-49	0.358	Fee Simple	Vacant Lot	\$163,000	1 to 2 Years
2-5-3-1-50	0.420	Fee Simple	Vacant Lot	\$198,000	1 to 2 Years
2-5-3-1-51	0.256	Fee Simple	Vacant Lot	\$124,000	1 to 2 Years
2-5-3-1-55	0.366	Fee Simple	Vacant Lot	\$196,000	1 to 2 Years
2-5-3-1-56	0.368	Fee Simple	Vacant Lot	\$197,000	1 to 2 Years
2-5-3-1-57	0.258	Fee Simple	Vacant Lot	\$124,000	1 to 2 Years
2-5-3-1-58	0.217	Fee Simple	Vacant Lot	\$126,000	1 to 2 Years
2-5-3-1-59	0.209	Fee Simple	Vacant Lot	\$128,000	1 to 2 Years
2-5-3-6-33	1.018	Fee Simple	Vacant Lot	\$352,000	1 to 2 Years
<b>Total</b>	<b>28.825</b>		<b>Rounded</b>	<b>\$10,120,000</b>	



KUALAPUU AND MAUNALOA INDUSTRIAL PROPERTIES

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-10-134	6.363	Fee Simple	M-1	Office/Theatre	Owner Occupancy
5-2-11-29	68.546	Fee Simple	M-2/Interim (*)	Vacant Lot	Investment
5-2-31 (various)	9.842	Fee Simple	M-2 (*)	Vacant Lots	Sale
<b>Total</b>	<b>84.751</b>				

(\*) Zoning reported by Maui County.

**Location/Address** Maunaloa and Kualapuu, Molokai, Hawaii

**Site Specific Environs** TMK 5-1-10, Parcel 134 is the site of the Molokai Ranch office and baseyard, and the theatre building located at Maunaloa. Located in Kualapuu off of Kamehameha V Highway, TMK 5-2-31 (various) consists of vacant lots in the Molokai Industrial Park. TMK 5-2-11, Parcel 29 consists of industrial expansion acreage situated adjacent to the west and southwest of the existing industrial park.

PROPERTY DATA AND DESCRIPTION

**State Land Use** TMK 5-1-10, Parcel 134 -- Urban  
 TMK 5-2-11, Parcel 29 -- Urban, Agriculture  
 TMK 5-2-31 (various) -- Urban

**Ownership** The fee simple interest in TMK 5-1-10, Parcel 134 is held by Molokai Properties Limited; the remaining properties are owned by Cooke Land Company, Inc., a subsidiary of Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description**

TMK 5-1-10, Parcel 134 is a slightly irregular shaped property having frontages on four paved roadways. The site is generally level and served by all available utilities, with distant ocean views.

The irregularly shaped TMK 5-2-11, Parcel 29 features undulating topographical characteristics and is accessed by the paved roadway through the Molokai Industrial Park. The property is bifurcated adjacent to its west property line by land which is leased to Goodfellow Brothers. Utilities available in the area include water, telephone, and electric. Ocean and coastline views are available from this property.

TMK 5-2-31 (various) identifies the unsold Molokai Industrial Park lots which are accessed via a paved roadway from Kamehameha V Highway. The lots range in size between 22,101 and 39,260 square feet, and feature level to slightly sloping topography. Available utilities include water, electricity, and telephone service.

**Improvement Description**

The improvements on TMK 5-1-10, Parcel 134 consist of the Molokai Ranch offices (built in 1969 per tax records) and baseyard and the theatre building (built in 1997). Containing approximately 3,120 square feet, the wood frame office building is of newer construction. The adjacent warehouse structure contains approximately 15,919 square feet and houses various maintenance and repair shops. The theatre building is also of newer construction and contains approximately 9,370 square feet.

All other industrial parcels are vacant of structural improvements.

**VALUATION ANALYSIS****Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Industrial and commercial.

**Specific Value Considerations**

The Molokai Ranch office, baseyard and theatre property (TMK 5-1-10, Parcel 134) involved specific value considerations identified later.

**Valuation Approach Utilized**

A sales comparison approach was utilized to value these lands.

**Molokai Industrial Park**

For the Molokai Industrial Park lots (TMK 5-2-31 (various)), a benchmark lot (TMK 5-2-31-16) was valued accounting for differences in market conditions, location, corner/frontage, zoning, physical characteristics and size. The remaining industrial park lots were then valued in relation to the benchmark employing a consistent rationale.

**Comparables Examined**

Industrial comparables B-1, B-2, B-6, B-7, B-8, I-1, and I-2 were utilized in valuing the benchmark lot. One transaction is located within the Molokai Industrial Park, and the others in Kaunakakai.

**Compensating Adjustments**

Consistent with the previous section, a negative 20 percent market conditions adjustment was applied to all transactions through June 2012. Thereafter, a market conditions allowance of two percent per annum was applied to all transactions in recognition of Kaunakakai activity levels. The high exposure locations of Transactions B-1, B-6, B- 8, and I-2 required downward adjustments. Having corner configurations, Transactions I-1 and I-2 were rated superior to the benchmark. The B-CT zoning of Transactions B-1, B-6, B-7, and B-8 were judged inferior. Transaction B-7 and B-8 have irregular shapes and were deemed inferior for physical characteristics. The only other adjustment required was for size. Final adjusted values ranged from \$3.69 to \$12.37 per square foot, with a mean of \$9.63 and a weighted value of \$9.63. The value of the benchmark lot was concluded to be \$9.60 per square foot, or a total of \$215,000.

**Molokai Industrial Park Expansion Acreage**

Lacking an abundance of industrial zoned transactions, the 68.546- acre Molokai Industrial Park expansion acreage (TMK 5-2-11, Parcel 29) was valued employing the same transactions and general adjustment rationale as the previous industrial park benchmark lot. However, considering the 13 unsold lots in the existing subdivision, a market over supply allowance was considered in the valuation of the expansion acreage. In addition to the market over supply allowance, the subject's easement access and irregular shape were rated inferior to the transactions. The Interim zoning for a portion of the subject was judged inferior to Transactions B-2, I-1, and I-2. The irregular shape of the expansion acre was rated comparable to Transactions B-7 and B-8 and inferior to all other transactions.

After all adjustments, the values ranged between \$0.41 to \$1.92 per square foot, with a mean of \$1.43 and a weighted value of \$1.44. We concluded a value for the 68.546-acre expansion parcel of \$1.45 per square foot, or a total fee value of \$4,330,000.

**Molokai Ranch Office, Baseyard, Theatre Property**

Valuation of M-1 zoned TMK 5-1-10, Parcel 134 used consistent transactions and general adjustment rationale as in the preceding industrial valuations. This 6.363-acre parcel has frontages on four roadways and is located in the center of Maunaloa Village. Considering the economically depressed conditions in Maunaloa, no market conditions allowance was applied since July 2012. The subject's Maunaloa location was rated inferior to all transactions. Having single frontages, Transactions B-1, B-2, B-6, B-7, and B-8 were rated inferior to the subject. The B-CT zonings of Transactions B-1, B-6, B-7, and B-8 were judged inferior to the subject. The irregular shapes to Transactions B-7 and B-8 were rated inferior to the subject. The only other adjustment required was for size.

The adjustment process resulted in a value range of \$2.17 to \$7.09 per square foot, with a mean of \$5.62 and weighted value of \$5.65.

We concluded a unit value of \$5.60 per square foot, or a total fee simple value of \$1,552,000 for the 6.363-acre subject site.

The contributory values of the Molokai Ranch Office Complex and Cinema building were estimated by depreciated cost analysis employing construction costs and service dates provided by the client, and depreciation applied by the analysts. As indicated previously, estimates of depreciation considered the physical condition of the structures and external factors such as current economic circumstances. The contributory values of the Molokai Ranch Office/Baseyard and Cinema buildings were estimated at \$36,000 and \$1,120,000, respectively, for a total contributory value of \$1,156,000. Adding this to the previously concluded fee simple land value of \$1,552,000 indicates a total property value for the Molokai Ranch Office, Baseyard, and Theater property (TMK 5-1-10, 134) of \$2,708,000.

**Concluded Market Value in  
the Existing State**

The aggregate rounded value of the Kualapuu and Maunaloa industrial properties was estimated to be **\$11,034,000** as of July 31, 2018.

**Table 9**

**KUALAPUU AND MAUNALOA INDUSTRIAL PROPERTIES VALUE CONCLUSIONS  
Molokai Properties Limited Real Property Assets**

Second Division Tax Map Key	Land Area		Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
	Acres	Sq. Ft.				
2-5-1-10-134	6.363	277,169	Fee Simple	Office/Theatre	\$2,708,000	1 to 2 Years
2-5-2-11-29	68.546	2,985,864	Fee Simple	Vacant Lot	\$4,330,000	1 to 2 Years
2-5-2-31-1	0.812	35,378	Fee Simple	Vacant Lot	\$3,996,000	1 to 2 Years
2-5-2-31-2	0.833	36,284	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-3	0.854	37,203	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-4	0.868	37,793	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-5	0.877	38,187	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-6	0.885	38,541	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-7	0.893	38,895	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-8	0.901	39,260	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-15	0.507	22,101	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-16	0.513	22,357	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-17	0.534	23,256	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-21	0.688	29,949	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
2-5-2-31-22	0.677	29,501	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
<b>Total</b>	<b>84.751</b>			<b>Rounded</b>	<b>\$11,034,000</b>	

**MAUNALOA RESIDENTIAL PROPERTIES****IDENTIFICATION**

Second Division Tax Map Key	Land Area		Zoning/ Land Use	Existing Use	Classification Held For
	(Sq. Ft.)	Tenure			
5-1-09 (various)	75,175	Fee Simple	Interim	North Subdivision Lots	Sale
5-1-10 (various)	297,258	Fee Simple	Interim	South Subdivision Lots	Sale
5-1-10 (various)	64,725	Leased Fee	Interim	Maunaloa Vistas	Investment
5-1-02 (various)	203,600	Fee Simple	Interim	Manager's Row	Owner Occupancy
5-1-10-9	295,868	Fee Simple	Interim	Nani Maunaloa	Investment
<b>Total</b>	<b>936,626 Sq. Ft.</b>				
	<b>21.502 Acres</b>				

<b>Location/Address</b>	Maunaloa, Molokai, Hawaii.
<b>Site Specific Environs</b>	TMKs 5-1-09 (various) and 5-1-10 (various) consists of vacant unsold single family residential lots in the Maunaloa North and South subdivisions, and homes in the South Subdivision constructed by Maunaloa Vistas Limited Partnership. TMK 5-1-02 (various) contains six homes and two vacant lot commonly referred to as Manager's Row. TMK 5-1-10, Parcel 9 consists of a single large parcel improved with 61 rental cottages comprising the Nani Maunaloa affordable housing project.

### PROPERTY DATA AND DESCRIPTION

<b>State Land Use</b>	All of the subject properties are State Land Use classified as Urban.
<b>Ownership</b>	<p>The remaining Maunaloa North and South vacant lots, Manager's Row properties, Maunaloa Vistas, and Nani Maunaloa project are owned by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.</p> <p>Maunaloa Vistas is leased to Maunaloa Vistas Limited Partnership. Nani Maunaloa is leased to the Maunaloa Housing LLC, which acquired the leasehold interest by assignment on January 1, 2012 for a recorded price of \$1,000.</p> <p>There have been no sales of the subject vacant house lots or improved residences since March 2009. To our knowledge, these properties have not been listed for sale or received any offers within the past three years.</p>
<b>Physical Description</b>	The Maunaloa North subdivision lots range in size from 7,571 to 16,097 square feet and vary from generally level to moderately sloping topography. This is a newer and preferred subdivision, which features panoramic views in a westerly direction. The Maunaloa South subdivision is an older development with generally smaller lots between 5,110 and 6,353 square feet in size. The lots also vary from level to moderately sloping. Views are less panoramic from these lots, although distant ocean views are available.

The Manager's Row residences and the sites are situated in a premier Maunaloa location on a knoll overlooking the North subdivision. The eight lots along this corridor range in size from 0.414 to 0.935 acre. All lots are generally rectangular shaped with most sloping gradually upward from west to east.

Containing 295,862 square feet, the large Nani Maunaloa site is a near rectangular holding bordered to the east, south and west by village roadways. A row of unsold commercial lots abuts the subject to the north. The property slopes moderately upward from west to east.

**Improvement Description**

The Maunaloa Vistas homes, constructed as affordable rentals, are wood frame structures containing 864 to 988 square feet. These 12 homes have three-bedroom, two-bath configurations built in 1997.

The Manager's Row homes include four small masonry houses (1,260 to 1,430 square feet) in poor to average condition and two larger wood frame executive dwellings (2,236 to 3,030 square feet) that have been extensively remodeled through the years.

Nani Maunaloa consists of 61 affordable rental cottages, which are roughly 67 percent physically occupied. Managed by Prudential, the wood frame units contain between 498 and 1,248 square feet. These homes, built in 1996, vary from one-bedroom, one-bath to four- bedroom, two-bath configurations.

**VALUATION ANALYSIS**

**Rights Appraised**

Fee simple and leased fee interests.

**Highest and Best Use**

Residential.

**Specific Value Considerations**

The leased fee interests in the 12 Maunaloa Vistas homes and the fee simple interest in the Nani Maunaloa Village parcel have been estimated by income capitalization analysis.

**Valuation Approach Utilized** Sales comparison approaches were utilized to value the various Maunaloa vacant lots and homes. Where appropriate, income capitalization analysis was also employed as indicated above.

**Maunaloa North Subdivision Lots**

For the seven Maunaloa North subdivision lots (TMK 5-1-09 (various)) and two Manager's Row lots (TMK 5-1-2-54 and 56), a benchmark lot (Parcel 61) was valued relative to market value indicators, accounting for differences in market conditions, corner/frontage, view, physical characteristics and size. The remaining subdivision lots were then valued in relation to the benchmark employing a similar rationale.

**Comparables Examined** Residential lot comparables R-1 to R-5 were utilized in valuing the benchmark lot. Due to an abundance of recent transactions, all are situated in the North subdivision.

**Compensating Adjustments** As all comparables are from the same subdivision, adjustments were minimal; those necessary were for corner location, view, physical characteristics, and size. No market conditions adjustment was warranted due to the timeliness of the comparables. The size adjustment employed an exponential curve that extrapolates the relationship between parcel size and unit price.

Adjusted unit values ranged from \$5.24 to \$8.60 per square foot, with a mean and weighted unit value of \$6.85. The value of the North subdivision benchmark lot was concluded to be \$6.85 per square foot or \$57,000 total.

**Maunaloa South Subdivision Lots**

The 54 South subdivision lots (TMK 5-1-10 (various)) were valued utilizing the same methodology and adjustment rationale as the North subdivision lots.

**Comparables Examined** The most recent South subdivision vacant lot sale (Comp R-6) and Comps R-2 and R-4 from the previous section, were utilized in valuing the benchmark lot (Parcel 77).



**Compensating Adjustments**

Again, no market conditions allowance was required. An adjustment for location was added to account for the superior locational attributes of the two North subdivision transactions. Adjusted unit values ranged from \$4.60 to \$6.18 per square foot, with a mean of \$5.72 and a weighted unit value of \$6.18.

The value of the South subdivision benchmark lot was concluded to be \$6.15 per square foot or \$32,500 total.

**Manager's Row Homes**

The Manager's Row homes (TMK 5-1-02-51, 52, 53, 55, 57, and 58), ranging in size from 1,260 to 3,030 square feet, were valued by sales comparison employing recent home sales in Maunaloa. Adjustments were made for date of sale/time, location, differences in land area, view, design and appeal, quality of construction, age in years, condition, bedrooms/baths, interior living area, garage, entry area/lanai, lot location, and upgrades.

**Comparables Examined**

Single family residential comparables SF-1 through SF-5 were utilized in valuing the six Manager's Row homes. Transaction SF-1 is a 1,197- square-foot 2-bedroom, 2-bath home located in the Maunaloa North subdivision. Transaction SF-2 is a 1,120-square-foot 3-bedroom, 2- bath home in the Maunaloa South subdivision. Transaction SF-3 is a 3-bedroom, 2-bath home containing 1,222 square feet located in Maunaloa's South subdivision. Transaction SF-4 is a 1,296-square- foot 2-bedroom, 2-bath home on the north side. Transaction 5, located in the North Subdivision, is a 2,556 square-foot 4-bedroom, 3.5-bathroom house.

**Compensating Adjustments**

As is typical for house valuations, compensating adjustments were made for most of the criteria listed above. Built in 1978, the subject homes are generally older plantation style homes on large lots which have been maintained to varying degrees over the years. Generally, all the comparables were rated similar or superior to the four smaller masonry homes. The two larger Manager Row homes were judged superior to the comparables. The most significant adjustments were for site area, age in years, condition, and differences in living area.

Concluded values for the four smaller masonry homes on Manager's Row ranged from \$225,000 to \$245,000. The two larger wood- framed homes on Manager's Row ranged in value from \$370,000 to \$380,000.

**Maunaloa Vistas**

The 12 Maunaloa Vistas homes are leased until December 31, 2030 at an aggregate annual rent of \$23,881. At the termination of the lease, the tenants have the right to purchase the homes for \$2,500 each.

An income capitalization analysis was employed to value this leased fee interest. The methodology involves calculating the present value of the right to receive aggregate monthly rent of \$1,900.09 per month for 12.6 years and an aggregate reversion of \$30,000 (12 units x \$2,500 per unit) at termination. Considering the low monthly rental rate and nominal reversionary interest, the reliability of this cash flow is rated as high resulting in selection of an eight percent discount rate.

The leased fee value of the Maunaloa Vistas was calculated to be \$202,000.

**Nani Maunaloa**

The Nani Maunaloa is a complex of 61 rental cottages, rated fair to poor building quality by the tax assessment office, that is committed to operate as affordable rentals until December 31, 2026. After this date, there would be no restrictions on these cottages and they could continue operation as a rental project or be condominiumized and sold. Managed by Prudential, reported occupancy for the project is roughly 67 percent.

An income capitalization analysis was considered to value the property as a rental housing project. Reconstructed income statements report the project has been operating at a loss for many years. Even with increased occupancy, the affordable housing project may not be able to generate a profit given the levels of required maintenance and operating expenses. Before its \$40,000 annual ground rent expense, the project is breakeven at best.

In its current state, the property would not be marketable to individuals seeking an economic return on an investment. While we acknowledge the social benefits provided by the affordable housing project, it has been determined that the subject property has no going concern economic value.

At the end of the project's commitment to provide affordable rental housing in 2026, the individual units could potentially be renovated, condominiumized, and marketed individually. However, such a venture would require substantial renovations, a multi-year sell out in a stronger market, and would compete with the surplus of house lots in existence around Maunaloa.

As a vacant parcel, the 6.792-acre site has value, but such cannot be realized under the property's existing commitment to provide affordable housing. Therefore, we have assigned the Nani Maunaloa a zero value.

**Concluded Market Value in  
the Existing State**

As shown on Table 10, the aggregate value of the Maunaloa residential properties totals **\$4,470,000** as of July 31, 2018.

**Table 10**

**MAUNALOA RESIDENTIAL PROPERTIES VALUE CONCLUSIONS  
Molokai Properties Limited Real Property Assets**

Second Division Tax Map Key	Land Area		Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
	Acre	Sq. Ft.				
2-5-1-9-60	0.200	8,702	Fee Simple	Vacant Lot	\$60,000	9 to 12 Months
2-5-1-9-61	0.191	8,307	Fee Simple	Vacant Lot	\$57,000	9 to 12 Months
2-5-1-9-69	0.174	7,571	Fee Simple	Vacant Lot	\$52,000	9 to 12 Months
2-5-1-9-72	0.197	8,590	Fee Simple	Vacant Lot	\$59,000	9 to 12 Months
2-5-1-9-74	0.370	16,097	Fee Simple	Vacant Lot	\$104,000	9 to 12 Months
2-5-1-9-76	0.321	13,961	Fee Simple	Vacant Lot	\$92,000	9 to 12 Months
2-5-1-9-81	0.274	11,947	Fee Simple	Vacant Lot	\$82,000	9 to 12 Months
2-5-1-10-29	0.122	5,304	Fee Simple	Vacant Lot	\$34,500	9 to 12 Months
2-5-1-10-30	0.124	5,384	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-36	0.125	5,447	Fee Simple	Vacant Lot	\$30,000	9 to 12 Months
2-5-1-10-37	0.129	5,602	Fee Simple	Vacant Lot	\$31,000	9 to 12 Months
2-5-1-10-38	0.130	5,662	Fee Simple	Vacant Lot	\$35,000	9 to 12 Months
2-5-1-10-39	0.124	5,418	Fee Simple	Vacant Lot	\$33,500	9 to 12 Months
2-5-1-10-40	0.124	5,395	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-41	0.121	5,261	Fee Simple	Vacant Lot	\$32,500	9 to 12 Months
2-5-1-10-43	0.126	5,497	Fee Simple	Vacant Lot	\$35,500	9 to 12 Months
2-5-1-10-60	0.140	6,088	Fee Simple	Vacant Lot	\$37,000	9 to 12 Months
2-5-1-10-62	0.117	5,110	Fee Simple	Vacant Lot	\$30,000	9 to 12 Months
2-5-1-10-64	0.118	5,133	Fee Simple	Vacant Lot	\$28,500	9 to 12 Months
2-5-1-10-66	0.119	5,165	Fee Simple	Vacant Lot	\$30,000	9 to 12 Months
2-5-1-10-69	0.131	5,689	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-70	0.143	6,241	Fee Simple	Vacant Lot	\$38,000	9 to 12 Months

Second Division Tax Map Key	Land Area		Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
	Acre	Sq. Ft.				
2-5-1-10-71	0.125	5,462	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-74	0.118	5,157	Fee Simple	Vacant Lot	\$31,500	9 to 12 Months
2-5-1-10-75	0.120	5,211	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-76	0.119	5,183	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-77	0.121	5,264	Fee Simple	Vacant Lot	\$32,500	9 to 12 Months
2-5-1-10-91	0.122	5,293	Fee Simple	Vacant Lot	\$31,000	9 to 12 Months
2-5-1-10-92	0.122	5,325	Fee Simple	Vacant Lot	\$31,000	9 to 12 Months
2-5-1-10-93	0.121	5,267	Fee Simple	Vacant Lot	\$31,000	9 to 12 Months
2-5-1-10-95	0.135	5,871	Fee Simple	Vacant Lot	\$34,500	9 to 12 Months
2-5-1-10-96	0.121	5,273	Fee Simple	Vacant Lot	\$34,000	9 to 12 Months
2-5-1-10-97	0.121	5,256	Fee Simple	Vacant Lot	\$32,500	9 to 12 Months
2-5-1-10-98	0.117	5,113	Fee Simple	Vacant Lot	\$31,500	9 to 12 Months
2-5-1-10-99	0.119	5,184	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-100	0.129	5,625	Fee Simple	Vacant Lot	\$34,500	9 to 12 Months
2-5-1-10-101	0.125	5,451	Fee Simple	Vacant Lot	\$33,500	9 to 12 Months
2-5-1-10-102	0.133	5,787	Fee Simple	Vacant Lot	\$35,500	9 to 12 Months
2-5-1-10-103	0.137	5,968	Fee Simple	Vacant Lot	\$36,500	9 to 12 Months
2-5-1-10-104	0.124	5,400	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-105	0.119	5,190	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-106	0.119	5,190	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-107	0.119	5,190	Fee Simple	Vacant Lot	\$32,000	9 to 12 Months
2-5-1-10-108	0.121	5,255	Fee Simple	Vacant Lot	\$30,500	9 to 12 Months
2-5-1-10-116	0.123	5,366	Fee Simple	Vacant Lot	\$31,500	9 to 12 Months
2-5-1-10-117	0.121	5,266	Fee Simple	Vacant Lot	\$31,000	9 to 12 Months
2-5-1-10-118	0.121	5,272	Fee Simple	Vacant Lot	\$31,000	9 to 12 Months
2-5-1-10-119	0.126	5,477	Fee Simple	Vacant Lot	\$33,500	9 to 12 Months
2-5-1-10-120	0.136	5,914	Fee Simple	Vacant Lot	\$36,500	9 to 12 Months
2-5-1-10-121	0.133	5,803	Fee Simple	Vacant Lot	\$35,500	9 to 12 Months
2-5-1-10-122	0.137	5,964	Fee Simple	Vacant Lot	\$36,500	9 to 12 Months
2-5-1-10-123	0.143	6,220	Fee Simple	Vacant Lot	\$38,000	9 to 12 Months
2-5-1-10-124	0.146	6,353	Fee Simple	Vacant Lot	\$38,500	9 to 12 Months
2-5-1-10-125	0.146	6,353	Fee Simple	Vacant Lot	\$38,500	9 to 12 Months
2-5-1-10-126	0.143	6,209	Fee Simple	Vacant Lot	\$38,000	9 to 12 Months
2-5-1-10-127	0.128	5,561	Fee Simple	Vacant Lot	\$34,000	9 to 12 Months
2-5-1-10-128	0.128	5,552	Fee Simple	Vacant Lot	\$34,000	9 to 12 Months
2-5-1-10-129	0.127	5,518	Fee Simple	Vacant Lot	\$34,000	9 to 12 Months
2-5-1-10-130	0.123	5,377	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-131	0.123	5,371	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-132	0.123	5,371	Fee Simple	Vacant Lot	\$33,000	9 to 12 Months
2-5-1-10-34	0.126	5,471	Fee Simple	Vacant Lot	\$202,000	9 to 12 Months
2-5-1-10-35	0.127	5,515	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-86	0.127	5,516	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-87	0.124	5,410	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months

Second Division Tax Map Key	Land Area		Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
	Acre	Sq. Ft.				
2-5-1-10-88	0.119	5,182	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-89	0.123	5,355	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-90	0.124	5,389	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-109	0.121	5,282	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-110	0.122	5,308	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-111	0.125	5,453	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-112	0.125	5,431	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-10-114	0.124	5,413	Leased Fee	Maunaloa Vistas	In Parcel 34	9 to 12 Months
2-5-1-2-51	0.607	26,441	Fee Simple	SF Residential	\$245,000	9 to 12 Months
2-5-1-2-52	0.515	22,433	Fee Simple	SF Residential	\$230,000	9 to 12 Months
2-5-1-2-53	0.451	19,646	Fee Simple	SF Residential	\$225,000	9 to 12 Months
2-5-1-2-54	0.414	18,034	Fee Simple	Vacant Lot	\$121,000	9 to 12 Months
2-5-1-2-55	0.443	19,297	Fee Simple	SF Residential	\$225,000	9 to 12 Months
2-5-1-2-56	0.597	26,005	Fee Simple	Vacant Lot	\$165,000	9 to 12 Months
2-5-1-2-57	0.712	31,015	Fee Simple	SF Residential	\$380,000	9 to 12 Months
2-5-1-2-58	0.935	40,729	Fee Simple	SF Residential	\$370,000	9 to 12 Months
2-5-1-10-9	6.792	295,868	Fee Simple	Nani Maunaloa	\$0	9 to 12 Months
<b>Aggregate</b>	<b>21.502</b>	<b>936,626</b>		<b>Rounded</b>	<b>\$4,470,000</b>	

RESIDENTIAL POTENTIAL URBAN EXPANSION LAND

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-25 (por.)	49.710	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-1-2-28	96.085	Fee Simple	Project District Interim	Vacant	Owner Occupancy
5-1-2-46	2.929	Fee Simple	Residential	Vacant	Owner Occupancy
5-2-13-21 (por.)	12.608	Fee Simple	Rural	Vacant	Owner Occupancy
5-2-13-38	6.058	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-2-28-106	2.057	Fee Simple	Residential	Vacant	Owner Occupancy
5-3-5-3	63.150	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-3-5-8	13.721	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-3-11-129	2.345	Fee Simple	Residential	Vacant	Owner Occupancy
5-4-1-23	34.895	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-4-1-54	2.625	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-4-1-84	8.809	Fee Simple	Agriculture	Vacant	Owner Occupancy
<b>Total</b>	<b><u>294,992</u></b>				

Location/Address

Maunaloa, Kualapuu, Kaunakakai and Kawela, Molokai, Hawaii

Site Specific Environs

These residential potential urban expansion lands are located in Maunaloa, Kualapuu, Kaunakakai, and Kawela, Molokai, Hawaii. In Maunaloa, these expansion lands are situated adjacent to the existing Maunaloa Village north and south residential subdivisions.

The Kualapuu expansion lands are located adjacent to the Ironwoods Golf Course and an existing residential subdivision in Kualapuu Village. Currently being farmed, the Kaunakakai expansion land is also adjacent to the existing Ranch Camp residential subdivision.

The Kawela expansion lands are in close proximity to Kawela Plantations subdivision.

PROPERTY DATA AND DESCRIPTION

State Land Use

Urban and Agriculture.

**Ownership**

The fee simple interest to the subject parcels is held by either Molokai Properties Limited, or Cooke Land Company, Inc. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description**

TMK 5-1-02, Parcels 25 (por.) and 28 are irregularly shaped larger sites with undulating topographical features containing 49.710 and 96.800 acres, respectively. Both have good views of the ocean and coast line. TMK 5-1-02, Parcel 46 contains 2.929 acres located at the east end of Maunaloa Road. This site is undulating and slopes gradually upward from the roadway. We were unable to definitively locate the 6.058-acre TMK 5-2-13, Parcel 38 but the general area is heavily wooded and undulating topography is typical. TMK 5-2-13, Parcel 21 (por.) is a 12.608-acre portion of the Ironwoods Golf Course property adjacent to and sloping gradually upward from Kalae Highway.

Situated in Kualapuu Village, TMK 5-2-28, Parcel 106 is an irregularly shaped 2.057-acre parcel that wraps around existing homesites. This property slopes gradually upward from Huila and Alahula Streets. Containing 2.345 acres, TMK 5-3-11, Parcel 129 is an irregularly shaped level site that extends around existing Ranch Camp homesites. The property is situated slightly below the Kolapa Place grade. TMK 5-3-05, Parcels 3 and 8 are irregularly shaped sites containing 63.150 and 13.721 acres, respectively. These parcels are situated adjacent to the Kaunakakai Homesteads subdivision at the west end of town. Parcel 3 is generally level to slightly sloping while Parcel 8 is undulating with ravines and berms within the property boundary.

TMK 5-4-01, Parcels 54 and 84 contain 2.625 and 8.809 acres, respectively, and are located east of Kaunakakai in the Kawela area. Parcel 84 has frontage on Kamehameha V Highway while Parcel 54 is an interior parcel with no frontage on the highway. Both are slightly irregular shaped and feature level to slightly sloping topography.

Also in Kawela, TMK 5-4-01, Parcel 23 is a 34.895-acre parcel bisected by Kawela Stream. Much of this parcel is lost to the stream and associated flooding issues. This parcel fronts the highway.

**Improvement Description**

All sites are currently vacant. With the exception of TMK 5-2-13, Parcel 38 and 5-4-01, Parcel 54, all parcels are served by asphalt paved roadways to their property line.

**VALUATION ANALYSIS**

**Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Residential development.

**Valuation Approach Utilized**

Sales comparison approaches were utilized to value a benchmark lot on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, view potential, physical characteristics, and size. The remaining lots were then valued in relation to the benchmark employing a similar rationale.

**Comparables Examined**

Our research revealed seven closed transactions with residential potential on Molokai. Bulk residential Transactions BR-1 through BR-7 were employed in our valuation analysis. Transaction BR-1 is an 18.200-acre parcel with frontage on Kamehameha V Highway in Kamiloloa. This rectangular shaped, elongated site slopes gradually upward from makai to mauka. Located in Keawanui, Transaction BR-2 is an irregular shaped 13.747-acre site with frontage on Kamehameha V Highway. This site is level to gradually sloping.

Transaction BR-3 is located adjacent to Transaction BR-2 and is an interior parcel containing 2.483 acres. This gradually sloping site does not appear to have any roadway access. Transaction BR-4 is located in Kualapuu at the intersection of Kalae Highway and South Kiapa Street. This rectangular shaped 2.598-acre site is generally level at road grade.

Transactions BR-5 (13.747 acres) and BR-6 (13.485 acres) are irregularly shaped parcels on the mauka side of Kamehameha V Highway in Keawanui with extensive frontages on the roadway. Transaction BR-7 is a 6.957-acre site near the intersection of Kalama and Analu Roads in the Kalae Tract subdivision. This irregular shaped parcel slopes gradually down from the roadway.



**Compensating Adjustments**

The adjustment for market conditions employed a negative 20 percent adjustment through June 2012 for Transaction BR-1 which occurred in June 2006. From July 2012 to current, we employed an allowance of two percent per annum due to general market activity levels.

The Keawanui location of Transactions BR-2, BR-3, BR-5, and BR-6 were considered inferior to the subject benchmark's Kaunakakai location. Located in Kualapuu, Transactions BR-4 and BR-7 were rated superior to the benchmark. For access and frontage, the extensive single frontage of the benchmark was rated superior to Transaction BR- 3 which lacks access. Transactions BR-1 has ocean views from the upper portion of the parcel and BR-7 has distant views and were rated superior to the benchmark. Having irregular shapes, Transactions BR-2, BR-3, BR-5, BR-6, and BR-7 were rated inferior to the benchmark for physical characteristics.

After all adjustments including recognition of size differences, the values ranged from \$48,585 to \$87,471 per acre, with a mean of \$65,332 and a weighted value of \$60,147.

We conclude a value of \$61,000 per acre, or a total of \$143,000 for the 2.345-acre benchmark site.

**Concluded Market Value in the Existing State**

As shown Table 11, the aggregate rounded value of the residential potential expansion parcels was estimated to be **\$8,156,000** as of July 31, 2018.

Table 11

**RESIDENTIAL POTENTIAL URBAN EXPANSION LANDS VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
2-5-1-2-25	49.710	Fee Simple	Vacant Lot	\$1,050,000	1 to 2 Years
2-5-1-2-46	2.929	Fee Simple	Vacant Lot	\$121,000	1 to 2 Years
2-5-1-2-28	96.085	Fee Simple	Vacant Lot	\$2,670,000	1 to 2 Years
2-5-2-13-38	6.058	Fee Simple	Vacant Lot	\$257,000	1 to 2 Years
2-5-2-13-21 (por.)	12.608	Fee Simple	Vacant Lot	\$592,000	1 to 2 Years
2-5-2-28-106	2.057	Fee Simple	Vacant Lot	\$128,000	1 to 2 Years
2-5-3-05-3	63.150	Fee Simple	Vacant	\$1,762,000	1 to 2 Years
2-5-3-05-8	13.721	Fee Simple	Vacant	\$413,000	1 to 2 Years
2-5-3-11-129	2.345	Fee Simple	Vacant Lot	\$143,000	1 to 2 Years
2-5-4-01-23	34.895	Fee Simple	Vacant	\$632,000	1 to 2 Years
2-5-4-01-54	2.625	Fee Simple	Vacant	\$102,000	1 to 2 Years
2-5-4-01-84	8.809	Fee Simple	Vacant	\$286,000	1 to 2 Years
<b>Total</b>	<b><u>294.992</u></b>		<b>Rounded</b>	<b><u>\$8,156,000</u></b>	

**KALUAKOI INTERIOR RESORT LAND**

**IDENTIFICATION**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Tenure</b>	<b>Zoning/ Land Use</b>	<b>Existing Use</b>	<b>Classification Held For</b>
5-1-3-4	18.594	Fee Simple	H-M/Hotel	Vacant	Investment
5-1-3-10	8.018	Fee Simple	H-M/A-2	Vacant	Investment
5-1-3-12	4.189	Fee Simple	H-M/Hotel	Vacant	Investment
5-1-3-16	6.751	Fee Simple	H-M/Hotel	Vacant	Investment
5-1-3-19	7.516	Fee Simple	BR	Vacant	Investment
5-1-3-20	41.710	Fee Simple	Assumed Interim	Vacant	Investment
5-1-3-25	49.077	Fee Simple	PK-4	Vacant	Investment
5-1-3-26	24.975	Fee Simple	A-2/Apartment	Vacant	Investment
5-1-3-28	3.670	Fee Simple	Interim	Vacant	Investment
5-1-3-29	11.515	Fee Simple	R-2	Vacant	Investment
<b>Total</b>	<b><u>176.015</u></b>				

<b>Location/Address</b>	Kaluakoi, Molokai, Hawaii.
<b>Site Specific Environs</b>	These interior resort development parcels are located in the Kaluakoi Resort. All are golf course frontage lots situated around the existing hotel (non-operational), multifamily condominium, and golf course developments (non-operational).

**PROPERTY DATA AND DESCRIPTION**

<b>State Land Use</b>	Urban.
<b>Ownership</b>	The fee simple interest in each is held by Kaluakoi Real Estate LLC, a subsidiary of Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.
<b>Physical Description</b>	The ten Kaluakoi interior resort development parcels range in size between 3.670 and 49.077 acres with topography varying from level to moderately sloping. Ocean, coastline, and/or golf course views are afforded from most lots.
<b>Improvement Description</b>	All sites are vacant and served by asphalt paved roadways and utilities to the property line except for TMK 5-1-03, Parcels 19 and 20.

**VALUATION ANALYSIS**

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Hotel and resort development.
<b>Specific Value Considerations</b>	There is no paved roadway access to TMK 5-1-03, Parcels 19 and 20.
<b>Valuation Approach Utilized</b>	The sales comparison approach was utilized to value an interior benchmark lot on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, golf course frontage, physical characteristics, and size. The remaining interior lots were valued in relation to the benchmark employing a similar rationale.
<b>Comparables Examined</b>	There have not been any transactions of similar resort sites on Molokai. Therefore, we selected five recent transactions from Maui, Big Island, and the Waianae and Makaha areas of Oahu for specific comparison to the subject benchmark lot. Interior Resort Transactions RR-1 through RR-5 were employed in our valuation analysis.

**Compensating Adjustments**

A three percent per annum market conditions allowance was applied in recognition of the overall interior resort land market appreciation in the State observed from the sale date of the comparable transactions.

A general location adjustment was estimated by comparing median sales prices for multifamily product on Molokai relative to the locations of the comparable transactions. Based on this analysis, the general locations Maui were determined to be 55 percent superior to Molokai; and the Big Island and Makaha/Waianae locations were similar.

For access/frontage, the three-sided frontage of Transaction RR-1 was considered inferior due to access via an easement, Transactions RR-2 and RR-5 were considered similar with single-street frontage, and RR-3 and RR-4 were considered superior with dual street frontage.

Relative to the split A-2/H-M zoning of the benchmark, the zoning of RR-1 and RR-4 which allow for denser development were deemed superior. The zoning of RR-5 was considered similar, whereas RR-2 and RR-3 had zoning that was considered inferior. Lacking golf course frontage, a nominal adjustment was applied to RR-1, RR-2 and RR-5 while Transactions RR-3 and RR-4 were adjusted downward for the superior condition of their Makaha Valley Country Club frontage. For physical characteristics, RR-1, RR-2, and RR-4 were considered similar overall while RR-5 received a nominal upward adjustment given the irregular and hilly terrain. RR-3 received a nominal downward adjustment for its level terrain. An adjustment was also made for size.

Adjusted values ranged from \$195,268 to \$392,075 per acre, with a mean of \$285,177 and a weighted value of \$264,917. The value of the benchmark interior resort lot was concluded to be \$265,000 per acre, or a total of \$2,120,000 for the 8.018-acre representative site.

**Concluded Market Value in the Existing State**

As shown below, the aggregate value of the interior Kaluakoi Resort parcels was estimated to be **\$25,967,000** as of July 31, 2018.

Table 12

**KALUAKOI INTERIOR LANDS VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
2-5-1-3-4	18.594	Fee Simple	Vacant	\$3,430,000	1 to 2 Years
2-5-1-3-10	8.018	Fee Simple	Vacant	\$2,120,000	1 to 2 Years
2-5-1-3-12	4.189	Fee Simple	Vacant	\$1,160,000	1 to 2 Years
2-5-1-3-16	6.751	Fee Simple	Vacant	\$1,770,000	1 to 2 Years
2-5-1-3-19	7.516	Fee Simple	Vacant	\$1,520,000	1 to 2 Years
2-5-1-3-20	41.710	Fee Simple	Vacant	\$3,380,000	1 to 2 Years
2-5-1-3-25	49.077	Fee Simple	Vacant	\$5,070,000	1 to 2 Years
2-5-1-3-26	24.975	Fee Simple	Vacant	\$4,590,000	1 to 2 Years
2-5-1-3-28	3.670	Fee Simple	Vacant	\$817,000	1 to 2 Years
2-5-1-3-29	11.515	Fee Simple	Vacant	\$2,110,000	1 to 2 Years
<b>Aggregate</b>	<b><u>176.015</u></b>		<b>Rounded</b>	<b><u>\$25,967,000</u></b>	

**KALUAKOI OCEANFRONT RESORT LAND**

**IDENTIFICATION**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Tenure</b>	<b>Zoning/ Land Use</b>	<b>Existing Use</b>	<b>Classification Held For</b>
5-1-3-8	21.965		Fee Simple	H-M/Hotel	Vacant/Investment
5-1-3-14	15.330		Fee Simple	H-M/Hotel	Vacant/Investment
5-1-3-15	22.360		Fee Simple	H-M/Hotel	Vacant/Investment
5-1-3-17	12.120		Fee Simple	H-M/Hotel	Vacant/Investment
5-1-3-18	28.800		Fee Simple	HM/Open	Vacant/Investment
<b>Total</b>	<b><u>100.575</u></b>				

**Location/Address**

Kaluakoi, Molokai, Hawaii

**Site Specific Environs**

These oceanfront resort development parcels are located in the Kaluakoi Resort. With the exception of TMK 5-1-03, Parcel 8, these oceanfront parcels currently do not have roadway access.

**PROPERTY DATA AND DESCRIPTION**

<b>State Land Use</b>	Urban.
<b>Ownership</b>	The fee simple interest in each is held by Kaluakoi Real Estate LLC, a subsidiary of Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.
<b>Recent Subject Property Market Activity</b>	None.
<b>Physical Description</b>	The five Kaluakoi oceanfront resort development parcels range in size between 12.120 and 28.800 acres with topography varying from level to moderately sloping. TMK 5-1-03, Parcel 8 is commonly referred to as Kaiaka Rock which is a rock mound and landmark along the otherwise undulating coastline. Due to the prominence and cultural significance of the Kaiaka Rock site, we judge it not marketable in the current political environment. Ocean, coastline, and/or golf course views are afforded from most lots.
<b>Description</b>	All sites are currently vacant and except for TMK 5-1-03, Parcel 8, do not have asphalt paved roadways and utilities to the property line.

**VALUATION ANALYSIS**

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Hotel and resort development.
<b>Specific Value Considerations</b>	As stated earlier, TMK 5-1-03, Parcel 8 (Kaiaka Rock) was deemed unmarketable in the current political climate.
<b>Valuation Approach Utilized</b>	The sales comparison approach was utilized to value an oceanfront benchmark lot on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, ocean frontage, physical characteristics, and size. The remaining oceanfront lots were then valued in relation to the benchmark employing a similar rationale.

**Comparables Examined**

There have not been any transactions of similar oceanfront resort sites on Molokai. Therefore, we selected six recent transactions for specific comparison to the subject benchmark lot. Oceanfront Resort Transactions O-1 through O-5 were employed in our valuation analysis. All comparables are located on Kauai.

**Compensating Adjustments**

A three percent per annum market conditions allowance was applied in recognition of the overall resort land market appreciation observed in the State from the sale date of the comparable transactions. We have employed negative location adjustments ranging from 40 to 55 percent as discussed in the previous section.

For access/frontage, all comparables were deemed superior to the same degree relative to the benchmark's lack of roadway access. With the exception of Transaction O-1, the H-M zoning of the benchmark was deemed inferior to all comparables. Having white sand beach frontage, Transactions O-4 and O-5 were rated superior to the benchmark. The ocean cliff and white sand/rocky shore frontages of O-1, O-2 and O-3, respectively, were considered comparable. Transactions O-2 and O-4 have level topography and rectangular shape and were judged to be superior to the benchmark.

The only other significant adjustment was for relative size. Adjusted values ranged from \$86,833 to \$399,881 per acre, with a mean of \$220,829 and a weighted value of \$214,333.

The value of the benchmark oceanfront resort lot without roadway access was concluded to be \$214,000 per acre, or a total of \$4,790,000 for the 22.360-acre representative site.

**Concluded Market Value in the Existing State**

As summarized on Table 13, the aggregate value of the oceanfront Kaluakoi Resort parcels without roadway access was estimated to be **\$18,380,000** as of July 31, 2018.

This total excludes Kaiaka Rock (TMK 5-1-03, Parcel 8) which was deemed to not be marketable.

Table 13

**KALUAKOI OCEANFRONT LANDS VALUE CONCLUSIONS  
Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
2-5-1-3-8	21.965	Fee Simple	Vacant	\$0	1 to 2 Years
2-5-1-3-14	15.330	Fee Simple	Vacant	\$3,480,000	1 to 2 Years
2-5-1-3-15	22.360	Fee Simple	Vacant	\$4,790,000	1 to 2 Years
2-5-1-3-17	12.120	Fee Simple	Vacant	\$2,710,000	1 to 2 Years
2-5-1-3-18	28.800	Fee Simple	Vacant	\$7,400,000	1 to 2 Years
<b>Aggregate</b>	<b><u>100.575</u></b>		<b>Rounded</b>	<b><u>\$18,380,000</u></b>	



## KALUAKOI RESORT EXPANSION LANDS

## IDENTIFICATION

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Tenure</b>	<b>Zoning/ Land Use</b>	<b>Existing Use</b>	<b>Classification Held For</b>
5-1-3-3	33.400	Fee Simple	OZ	Vacant	Investment
5-1-3-23	5.407	Fee Simple	Open	Vacant	Investment
<b>Total</b>	<b>38.807</b>				

**Location/Address** Kaluakoi, Molokai, Hawaii.

**Site Specific Environs** These interior and oceanfront resort expansion lots are located in the Kaluakoi Resort. This asset is comprised of parcels that are zoned for multifamily, commercial, agriculture, and open space uses but are currently inaccessible by existing paved roadways.

## PROPERTY DATA AND DESCRIPTION

**State Land Use** Urban and Rural.

**Ownership** The fee simple interest to each of the subject lots is held by Kaluakoi Real Estate LLC, a subsidiary of Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description** The two Kaluakoi Resort future expansion parcels 5.407 and 33.400 acres, with topography varying from generally level to moderately sloping. The resort expansion lands contain an aggregate area of 38.807 acres.

**Improvement Description** The entire resort expansion holding is vacant of any substantial improvements.

## VALUATION ANALYSIS

**Rights Appraised** Fee simple interest.

**Highest and Best Use** Resort expansion due to various zonings.

**Specific Value Considerations** None.

**Valuation Approach Utilized**

The sales comparison approach was utilized to value the entire 38.807- acre assemblage accounting for differences in market conditions, location, access/frontage, zoning, ocean frontage, physical characteristics, and size.

**Comparables Examined**

Our research did not uncover any transactions of similar urban expansion acreage on Molokai. Therefore, we expanded our research to Maui and selected three transactions located in North Kihei, Kuau, and Waiehu.

**Compensating Adjustments**

No adjustment was required market conditions. As described in an earlier section, comparisons of median product sales prices between Molokai and Maui resulted in general location adjustments of negative 40 and 50 percent. For access/frontage, downward adjustments of 25 percent were made to all comparable transactions to account for the lack of public roadway frontage for the benchmark.

The subject property is predominantly designated agriculture and State Land Use Rural, thus requiring an upward adjustment to Transactions U-1 and U-2 for their protective and cemetery conservation subzones, respectively, which are considered inferior to the benchmark. A conservation easement in Transaction U-2 was considered inferior so an upward adjustment was made. Additionally, Transaction U-2 had superior flood zoning so was adjusted downward. There are two gulches that run through the consolidated subject holding which resulted in Transactions U-2 and U-3 being judged as superior for physical characteristics. Contrarily, the physical characteristic of wetlands in Transaction U-1 was considered inferior.

After compensating for size differences, the adjusted values ranged from \$9,793 to \$25,616 per acre, with a mean of \$15,258 and a weighted value of \$16,293. The value of the 5.407-acre Kaluakoi urban expansion acreage was concluded to be \$16,500 per acre.

**Concluded Market Value  
in the Existing State**

As shown on Table 14, the aggregate value of Kaluakoi Resort urban expansion lands was estimated to be **\$483,000** as of July 31, 2018.

Table 14

**KALUAKOI EXPANSION LANDS VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
2-5-1-3-3	33.400	Fee Simple	Vacant	\$394,000	1 to 2 Years
2-5-1-3-23	5.407	Fee Simple	Vacant	\$89,000	1 to 2 Years
<b>Aggregate</b>	<b><u>38.807</u></b>		<b>Rounded</b>	<b><u>\$483,000</u></b>	

**PAPOHAKU RANCH LOTS AND KAUPOA BEACH CAMP**

**IDENTIFICATION**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Tenure</b>	<b>Zoning/ Land Use</b>	<b>Existing Use</b>	<b>Classification Held For</b>
5-1-2-48	30.246	Fee Simple	Agriculture	Beach Camp	Owner Occupancy
5-1-4-22	32.772	Fee Simple	Agriculture	Vacant Lot	Sale
5-1-6 (various)	93.600	Fee Simple	Agriculture	Vacant Lots	Sale
5-1-7 (various)	119.790	Fee Simple	Agriculture	Vacant Lots	Sale
5-1-8 (various)	565.551	Fee Simple	Agriculture	Vacant Lots	Sale
<b>Total</b>	<b><u>841.959</u></b>				

**Location/Address**

Kaluakoi, Molokai, Hawaii.

**Site Specific Environs**

These ranch lots are located in agricultural subdivisions east and south of Kaluakoi Resort on the west side of Molokai and are primarily used as residential estates.

**PROPERTY DATA AND DESCRIPTION**

<b>State Land Use</b>	Agriculture, Conservation.
<b>Ownership</b>	<p>The fee ownership of five of the vacant interior lots is held by Kaluakoi Residential LLC, a subsidiary of Kaluakoi Land LLC, a subsidiary of Molokai Properties Limited; the remainder are held in fee by Molokai Acquisition LLC. The fee title to the Beach Village (TMK 5-1-2-48) is held by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.</p> <p>Kaluakoi Residential, LLC acquired the various ranch lots in TMK 5-1-4 and 5-1-6 to 5-1-8 on December 17, 2001 for a recorded price of \$4,656,030. Molokai Acquisition LLC acquired the ranch lots in TMK 5-1-7 and 5-1-8 on January 10, 2002 for \$1,884.</p> <p>There have been no sales of the subject lots since 2006. To our knowledge, these properties have not been listed for sale or received any offers within the past three years.</p>
<b>Physical Description</b>	<p>The 33 interior ranch lots range in size from 20.003 to 43.357 acres with topography varying from level to gently sloping. Each lot is served by underground utilities including water, sewer, telephone, and electric. Ocean and coastline views are afforded from most lots.</p> <p>The oceanfront Kaupoa Beach Camp is remotely located away from the other ranch lots, accessible via private unpaved roads. It has no electricity, telephone, or septic system, and private water. Many protected culturally significant features exist on the site.</p>
<b>Improvement Description</b>	The beach camp is improved with one small permanent structure built in 1999, utilized as a kitchen and open air gathering area.

**VALUATION ANALYSIS**

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Single-family home sites/estates.
<b>Specific Value Considerations</b>	The now defunct beach camp cannot be financially sustained on a standalone basis, and the land and marginal improvements have greater value as a private exclusive single home site/estate.

**Valuation Approach Utilized**

The sales comparison approach, specifically bracketing, was utilized to value the interior lots on a price per acre basis, accounting for differences in location, access, view, physical characteristics, and size.

The oceanfront beach village parcel was valued by direct sales comparison with neighboring vacant oceanfront parcels, based on price per acre. Additional adjustments were made for beach frontage, privacy, access, and utilities.

**Comparables Examined**

Oceanfront Ranch Lot Comparables RA-1 to RA-4 were employed in the valuation of the beach camp parcel. Gross data on recent over 14 interior Ranch Lot sales and listings were grouped by size, distance from the ocean, and subdivision location to identify pricing trends for the interior lots. All comparables are located within the Papohaku Ranch subdivision.

**Compensating Adjustments**

Interior Ranch Lots Analysis and grouping of recent interior lot sales and listings indicated unit values for the largest lots (30+ acres) of \$6,500 to \$6,850 per acre, \$12,000 per acre for the two lots closest to the ocean, and \$9,000 per acre for the balance of the interior lots.

This resulted in total lot values ranging from \$170,000 to \$295,000, and an aggregate value of \$7,035,000.

Kaupoa Beach Camp – Due to its unique attributes, there were significant adjustments made to the ocean front comparables to equate them to the beach camp parcel; these included allowances for market conditions, quality of beach frontage, privacy, property access, and size.

These adjusted values ranged from \$69,079 to \$231,374 per acre, with a mean of \$109,106 per acre and a weighted value per acre of \$94,797.

The value of the desirable 30.246-acre oceanfront lot was concluded to be \$95,000 per acre, or \$2,870,000 total.

**Concluded Market Value in the Existing State**

As summarized on Table 15, the aggregate values of the Papohaku Ranch Lots and Kaupoa Beach Camp lot totaled **\$9,905,000** as of July 31, 2018.

Table 15

**PAPOHAKU RANCH LOTS AND KAUPOA BEACH CAMP VALUE CONCLUSIONS**  
**Molokai Properties Limited Real Property Assets**

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
2-5-1-2-48	30.246	Fee Simple	Beach Camp	\$2,870,000	9 to 12 Months
2-5-1-4-22	32.772	Fee Simple	Vacant Lot	\$225,000	9 to 12 Months
2-5-1-6-50	28.364	Fee Simple	Vacant Lot	\$255,000	9 to 12 Months
2-5-1-6-51	21.479	Fee Simple	Vacant Lot	\$185,000	9 to 12 Months
2-5-1-6-52	20.003	Fee Simple	Vacant Lot	\$170,000	9 to 12 Months
2-5-1-6-77	23.754	Fee Simple	Vacant Lot	\$285,000	9 to 12 Months
2-5-1-7-11	24.654	Fee Simple	Vacant Lot	\$295,000	9 to 12 Months
2-5-1-7-17	23.576	Fee Simple	Vacant Lot	\$210,000	9 to 12 Months
2-5-1-7-18	23.333	Fee Simple	Vacant Lot	\$210,000	9 to 12 Months
2-5-1-7-19	22.695	Fee Simple	Vacant Lot	\$195,000	9 to 12 Months
2-5-1-7-20	25.532	Fee Simple	Vacant Lot	\$220,000	9 to 12 Months
2-5-1-8-1	25.143	Fee Simple	Vacant Lot	\$225,000	9 to 12 Months
2-5-1-8-2	20.910	Fee Simple	Vacant Lot	\$190,000	9 to 12 Months
2-5-1-8-3	20.894	Fee Simple	Vacant Lot	\$190,000	9 to 12 Months
2-5-1-8-4	21.064	Fee Simple	Vacant Lot	\$190,000	9 to 12 Months
2-5-1-8-5	21.091	Fee Simple	Vacant Lot	\$200,000	9 to 12 Months
2-5-1-8-6	43.357	Fee Simple	Vacant Lot	\$280,000	9 to 12 Months
2-5-1-8-7	40.027	Fee Simple	Vacant Lot	\$245,000	9 to 12 Months
2-5-1-8-8	40.197	Fee Simple	Vacant Lot	\$260,000	9 to 12 Months
2-5-1-8-9	23.007	Fee Simple	Vacant Lot	\$205,000	9 to 12 Months
2-5-1-8-10	23.007	Fee Simple	Vacant Lot	\$205,000	9 to 12 Months
2-5-1-8-11	23.669	Fee Simple	Vacant Lot	\$215,000	9 to 12 Months
2-5-1-8-12	21.562	Fee Simple	Vacant Lot	\$195,000	9 to 12 Months
2-5-1-8-13	24.739	Fee Simple	Vacant Lot	\$225,000	9 to 12 Months
2-5-1-8-14	21.994	Fee Simple	Vacant Lot	\$200,000	9 to 12 Months
2-5-1-8-15	22.075	Fee Simple	Vacant Lot	\$200,000	9 to 12 Months
2-5-1-8-16	22.074	Fee Simple	Vacant Lot	\$200,000	9 to 12 Months
2-5-1-8-17	24.494	Fee Simple	Vacant Lot	\$220,000	9 to 12 Months
2-5-1-8-20	20.474	Fee Simple	Vacant Lot	\$185,000	9 to 12 Months
2-5-1-8-21	21.632	Fee Simple	Vacant Lot	\$195,000	9 to 12 Months
2-5-1-8-22	21.258	Fee Simple	Vacant Lot	\$190,000	9 to 12 Months
2-5-1-8-25	21.471	Fee Simple	Vacant Lot	\$195,000	9 to 12 Months
2-5-1-8-26	20.475	Fee Simple	Vacant Lot	\$185,000	9 to 12 Months
2-5-1-8-27	20.937	Fee Simple	Vacant Lot	\$190,000	9 to 12 Months
<b>Aggregate</b>	<b>841.959</b>		<b>Rounded</b>	<b>\$9,905,000</b>	

## MAUNALOA AND KALUAKOI HOTEL PROPERTIES

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-27	10.804	Fee Simple	Hotel	Warehouse/ Closed Lodge	Investment
5-1-3-5	18.120	Fee Simple	Hotel	Closed Hotel	Owner Occupancy
<b>Total</b>	<b>28.924</b>				

**Location/Address**

Maunaloa, Molokai, Hawaii  
Kaluakoi, Molokai, Hawaii

**Site Specific Environs**

The Lodge at Molokai Ranch is situated in Maunaloa Village at the 1,200-foot elevation affording unobstructed countryside and distant ocean views.

The oceanfront Kaluakoi hotel is situated within the Kaluakoi Resort on the west side of Molokai and is neighbored by an abandoned 18-hole golf course and the West Molokai Resort project.

## PROPERTY DATA AND DESCRIPTION

**State Land Use**

Urban.

**Ownership**

Fee simple title to The Lodge at Molokai Ranch is held by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

The fee to the Kaluakoi Hotel is held by Kaluakoi Poolside, LLC, a subsidiary of Kaluakoi Land LLC, a subsidiary of Molokai Properties Limited.

**Physical Description**

The irregular-shaped parcel containing The Lodge at Molokai Ranch is located at the western end of Maunaloa Village and gradually slopes downward to the west. Access is directly available from Maunaloa Highway. The site is served by underground utilities including water, sewer, telephone, cable, and electric. A separate commercial warehouse is also situated on the parcel.

The oceanfront Kaluakoi Hotel site is fairly level, but highly irregularly shaped, as boundary lines were drawn to exclude any former hotel units that were sold off as condo units when the hotel closed. The site is accessed via Kepuhi Place, and is served by underground utilities including water, sewer, telephone, cable, and electric.

**Improvement Description**

The shuttered Lodge at Molokai Ranch is comprised of a central building containing the front desk, great hall, restaurant, grill, fitness center, outdoor pool, and 6 guest rooms, and two ancillary buildings - each containing 8 guest rooms. The 22-room wood-frame luxury- hotel was built in 1999. Located across the landscaped parking lot from The Lodge at Molokai Ranch is the 7,517-square foot “Outfitters” warehouse, originally built in 1926, that has been renovated and divided, and is occupied by a church.

The 152-room, wood-frame, bungalow-style Kaluakoi Hotel, abandoned in January 2001, was constructed in 1976 and originally comprised of 290+ rooms, the difference of which was previously subdivided and sold as condominium units. Other improvements at the hotel include a front desk, restaurant, small commercial spaces, and pool. One commercial space and the pool remains open at the present time. Reportedly, some interested buyers have expressed interest in acquiring the hotel.

**VALUATION ANALYSIS**

**Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Hotel.

**Specific Value Considerations**

The Lodge at Molokai Ranch has been closed since circa 2008 and portions have been vandalized. The contributory value of the existing improvements has been evaluated by depreciated cost analysis.

The anticipated required renovations to the Kaluakoi Hotel are greater than the estimated value of the improved hotel, and thus do not make a contribution above land value.



**Valuation Approach Utilized****The Lodge at Molokai Ranch and Outfitters Warehouse**

The sales comparison approach was utilized to value the H-1 zoned Lodge at Molokai Ranch site on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, physical characteristics, and size.

**Comparables Examined**

Interior Resort Transactions RR-1 through RR-5 presented earlier in valuing the Kaluakoi Interior Resort Multifamily Benchmark were employed in our valuation analysis.

**Compensating Adjustments**

A three percent per annum market conditions allowance was applied in recognition of the overall interior resort land market appreciation in the State observed from the sale date of the comparable transactions. A general location adjustment was estimated by comparing median sales prices for multifamily product on Molokai relative to the locations of the comparable transactions. Based on this analysis, the general location in Maui was determined to be 55 percent superior to Molokai, whereas the Big Island was determined to be 60 percent superior. The Makaha/Waianae comparable locations were slightly superior to the subject by five percent.

For access/frontage, the three-sided frontage of Transaction RR-1 was considered inferior due to access via an easement, Transactions RR-2 and RR-5 were considered similar with single-street frontage, and RR-3 and RR-4 were considered superior with dual street frontage. Relative to the split A-2/H-M zoning of the benchmark, the zoning of RR-1 and RR-4 which allow for denser development were deemed superior.

The zoning of RR-5 was considered similar, whereas RR-2 and RR-3 had zoning that was considered inferior. Accounting for golf course frontage, a downward adjustment was applied to RR-3 and RR-4. For physical characteristics, RR-1, RR-2, and RR-4 were considered similar overall while RR-5 received a nominal upward adjustment given the irregular and hilly terrain. RR-3 received a nominal downward adjustment for its level terrain. The only other significant adjustment was for relative size. Adjusted values ranged from \$160,162 to \$303,308 per acre, with a mean of \$228,174 and a weighted value of \$215,087.

The value of the benchmark interior resort lot was concluded to be \$215,000 per acre, or a total of \$2,320,000 for the 10.804-acre representative site.

The contributory values of the Lodge at Molokai Ranch and Outfitters buildings were estimated by depreciated cost analysis employing construction costs and service dates provided by the client, and depreciation applied by the analysts. Depreciation considered the physical condition of the structures and external factors such as current economic circumstances. The contributory value of the Lodge at Molokai Ranch and Outfitters was estimated at \$7,300,000. Adding this to the previously concluded fee simple land value of \$2,320,000 indicates a total property value for the Lodge at Molokai Ranch and Outfitters building (TMK 5-1-2, Parcel 27) of \$9,620,000.

### **Kaluakoi Hotel Property**

A sales comparison approach was utilized to value the Kaluakoi oceanfront hotel site on a price per acre basis, accounting for differences in market conditions, location, access, ocean frontage, physical characteristics, and size.

#### **Valuation Approach Utilized**

The sales comparison approach was utilized to value the H-1 zoned Kaluakoi Hotel site on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, ocean frontage, physical characteristics, and size.

#### **Comparables Examined**

Oceanfront Resort Transactions O-1 through O-5 were employed in our valuation; all are located on Kauai.

#### **Compensating Adjustments**

A three percent per annum market conditions allowance was applied in recognition of the overall resort land market appreciation observed in the State from the sale date of the comparable transactions. We have employed negative location adjustments ranging from 40 to 55 percent as discussed in the previous section. With the exception of Transaction O-1, the H-M zoning of the benchmark was deemed inferior to all comparables.

Having white sand beach frontage, Transactions O-4 and O-5 were rated superior to the benchmark. The ocean cliff and white sand/rocky shore frontages of O-1, O-2 and O-3, respectively, were considered comparable. Due to lack of golf course frontage in all five transactions, an upward adjustment was made to each. The topography of all five transactions were judged to be superior to the benchmark. The only other significant adjustment was for relative size.

Adjusted values ranged from \$216,647 to \$930,405 per acre, with a mean of \$602,060 and a weighted value of \$575,874. The value of the benchmark oceanfront resort lot without roadway access was concluded to be \$576,000 per acre, or a total of \$10,440,000 for the 18.120-acre representative site.

No additional value was attributed to the existing building pads under the improvements which might enhance redevelopment due to potential shoreline setback issues.

**Concluded Market Value  
in the Existing State**

As shown on the following table, the aggregate value of the hotel properties was estimated to be **\$20,060,000** as of July 31, 2018.

**Table 16**

**MAUNALOA AND KALUAKOI HOTEL PROPERTIES**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
5-1-2-27	10.804	Fee Simple	Lodge/Whse.	\$9,620,000	1-2 Years
5-1-3-5	<u>18.120</u>	Fee Simple	Closed Hotel	<u>\$10,440,000</u>	1-2 Years
<b>Aggregate</b>	<b><u>28.924</u></b>			<b><u>\$20,060,000</u></b>	

## KALUAKOI AND IRONWOOD GOLF COURSES

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-3-7	42.497	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-21	45.332	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-22	24.069	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-24	36.860	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-27	3.238	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-6-76	2.331	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-2-13-21 (por.)	68.000	Fee Simple	AG/Golf Course	Golf Course	Owner Occupancy
<b>Total</b>	<b><u>222.327</u></b>				

**Location/Address**

Kaluakoi, Molokai, Hawaii  
Kualapuu, Molokai, Hawaii

**Site Specific Environs**

The abandoned Kaluakoi Golf Course (TMK 5-1-3-7, 21, 22, 24, and 27; 5-1-8-76) was an 18-hole oceanfront facility located in the Kaluakoi Resort on the west side of Molokai. The property no longer resembles a golf course and is presently overgrown. Located in Kualapuu, the Ironwoods Golf Course is currently a nine-hole layout leased on a month-to-month basis to a private operator.

## PROPERTY DATA AND DESCRIPTION

**State Land Use**

Kaluakoi Golf Course – Urban  
Ironwoods Golf Course – Agriculture, Urban

**Ownership**

The abandoned Kaluakoi Golf Course is owned by Kaluakoi Golf Course LLC, a subsidiary of Kaluakoi Land, LLC, which is a subsidiary of Molokai Properties Limited. Fee simple interest to the Ironwoods Golf Course is held by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.

**Physical Description**

The Kaluakoi Golf Course was an 18-hole seaside championship layout designed by Ted Robinson Sr. Situated between Kepuhi and Papohaku Beaches, the course played to a par 72 and a distance of 6,187 yards from the regular tees. The course featured well-placed bunkers and water hazards, and good views of the ocean from most of the holes. Now abandoned, the course is overgrown and does not resemble a golf course.

The Ironwoods Golf Course was constructed in 1938 by pineapple plantation workers to serve as a recreational amenity. The nine-hole par 35 course plays to a distance of 2,850 yards and is positioned in a forested area in the hills above Kualapuu. Hilly terrain, narrow fairways, heavily wooded surrounding, and small greens contribute to the challenge of this course. Access to the golf course is over a dirt roadway.

**Improvement Description**

The abandoned Kaluakoi Golf Course is improved with a small wood frame pro shop, two wooden comfort stations, driving range, and a maintenance complex off of Kaiaka Road (built in 1976-1985). We were unable to observe many of the structures because of the current overgrown condition.

The Ironwoods Golf Course has no substantial permanent structures. There is no clubhouse at this facility and a trailer serves as the pro shop.

**Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Golf course and site with golf course development potential.

**Specific Value Considerations**

The Kaluakoi Golf Course has no longer been considered a golf course and has been valued as resort expansion land.

The Ironwood Golf Course is leased to a private operator on a month- to-month basis for \$3,115.00 per month totaling \$37,380.00 per year. There is no long-term lease to consider and the property has been appraised as if fee simple.

**Valuation Approach Utilized**

A sales comparison approach was utilized to value the Ironwood Golf Course on a price per hole basis, accounting for differences in market conditions, location, course quality, and special circumstances. The golf course market is complex and convoluted as it involves a variety of seller and buyer motivations, and varying degrees of additional developable land. The best available transactions were employed in our sales comparison analysis.

The abandoned Kaluakoi Golf Course has been valued as resort expansion land by sales comparison analysis.

**Ironwood Golf Course****Comparables Examined**

Golf Course Comparables G-1 (Elleair Golf Course), G-2 (Pukalani Golf Course), and G-3 (Bayview Golf Course) were employed in the valuation of the Ironwood Golf Course. The transactions are located on the islands of Oahu and Maui.

**Compensating Adjustments**

The transactions all occurred between July 2014 and February 2018 and no adjustment for market conditions was deemed necessary. The general locations of all transactions were rated superior in varying degrees to the Molokai location of the subject golf course. In terms of course quality, the Bay View Executive Golf Course was judged to be comparable. In all other instances, the course quality of the comparables were rated superior in varying degrees to the subject course.

The adjustment for special circumstances accounted for lack of a clubhouse at the time of sale and inclusion of additional developable land. For the Ironwood Golf Course, adjusted values ranged from \$128,889 to \$175,000 per hole, with a mean of \$145,185 and a weighted value of \$146,278. The value of the nine-hole Ironwoods Golf Course was concluded to be \$146,000 per hole, resulting in a total value of \$1,314,000.

**Abandoned Kaluakoi Golf Course****Comparables Examined**

Urban expansion Transactions U-1 through U-5 were employed in valuing the 154.327-acre abandoned Kaluakoi Golf Course site.

**Compensating Adjustments**

The current listing indicator U-5 has been adjusted downward by 10 percent. The adjustment for market conditions employed a 12 percent per annum increase between January 1, 2004 and December 31, 2006; between January 1, 2007 and our prior appraisal July 2012 date of value a negative 20 percent adjustment was applied. For the time period of July 2012 to current an annual appreciation rate of three percent has been applied.

General location adjustments of negative 50 and 60 percent have been applied. Having extensive dual frontage on a primary roadway, Transaction U-2 was rated superior to the subject concerning access/frontage. The subject property is zoned Open or Golf Course which required downward adjustment to all comparable transactions for zoning. All transactions lack ocean frontage and were adjusted upward for this criterion. The configuration and undulation of this former golf course site was deemed inferior to the comparables for physical characteristics.

After compensating for size differences, the adjusted values ranged from \$9,325 to \$13,955 per acre, with a mean of \$11,112 and a weighted value of \$10,832.

The value of the 154.327-acre abandoned Kaluakoi Golf Course site was concluded at \$11,000 per acre, or a total value of \$1,700,000.

**Concluded Market Value  
in the Existing State**

Table 17 shows the aggregate value of the Kaluakoi and Ironwoods Golf Courses was estimated to be **\$3,140,000** as of July 31, 2018.

Table 17

## KALUAKOI AND IRONWOOD GOLF COURSES

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Golf Course Use	Concluded Value	Reasonable Exposure Time
5-1-3-7	42.497	Fee Simple	Abandoned	\$1,700,000	1 to 2 Years
5-1-3-21	45.332	Fee Simple	Abandoned	Inc. Above	1 to 2 Years
5-1-3-22	24.069	Fee Simple	Abandoned	Inc. Above	1 to 2 Years
5-1-3-24	36.860	Fee Simple	Abandoned	Inc. Above	1 to 2 Years
5-1-3-27	3.238	Fee Simple	Abandoned	Inc. Above	1 to 2 Years
5-1-6-76	2.331	Fee Simple	Abandoned	Inc. Above	1 to 2 Years
5-2-13-21	68.000	Fee Simple	Golf Course	\$1,440,000	1 to 2 Years
<b>Aggregate</b>	<b>222.327</b>			<b>\$3,140,000</b>	

## INFILL LOTS

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Sq. Ft.)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-17	42,013	Fee Simple	Interim/Park	Church	Owner Occupancy
5-2-13-12	13,634	Fee Simple	Single Family	Vacant	Owner Occupancy
5-3-11-38	27,276	Fee Simple	Interim	Vacant	Owner Occupancy
<b>Total</b>	<b>82,923 Sq. Ft.</b> <b>1.904 Acres</b>				

## Location/Address

Maunaloa, Molokai, Hawaii  
 Kualapuu, Molokai, Hawaii  
 Kaunakakai, Molokai, Hawaii

## Site Specific Environs

The infill lots are located along the east side of Maunaloa Village, in Kualapuu adjacent to the Ironwoods Golf Course, and in the Ranch Camp subdivision in Kaunakakai, Molokai, Hawaii.



**PROPERTY DATA AND DESCRIPTION**

<b>State Land Use</b>	Urban.
<b>Ownership</b>	TMK 5-3-11, Parcel 38 is owned in fee simple by Cooke Land Company, Inc. The fee simple interests of all other subject lots are held by Molokai Properties Limited. Molokai Properties Limited is a subsidiary of Guoco which is indirectly owned by Guoco through its non-wholly owned subsidiaries and in which Guoco has a 67.6% attributable interest.
<b>Physical Description</b>	TMK 5-1-2, Parcel 17 is an elongated generally level site with extensive frontage along Maunaloa Road. TMK 5-2-13, Parcel 12 in Kualapuu in an irregular shaped, slightly sloping site that is overgrown with trees and shrubs. Access is available via an unimproved roadway. Located in the Ranch Camp subdivision in Kaunakakai, TMK 5-3-11, Parcel 38 is a triangularly shaped vacant site situated at the east terminus of Kakalahale Street.
<b>Improvement Description</b>	TMK 5-1-2, Parcel 17 is improved with an old church building and two other small structures. All other parcels are vacant of significant structural improvements.

**VALUATION ANALYSIS**

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Residential use.
<b>Specific Value Considerations</b>	TMK 5-1-2, Parcel 17 is improved with a church which is leased at nominal rent. Considering the current surplus of residential lots and expansion areas in Maunaloa, the existing church use is judged the highest and best use of the property. As such, we have added an allowance of \$100,000 as the contributory value of the improvements.
<b>Valuation Approach Utilized</b>	Having adequate transactions by geographical location, separate sales comparison analyses were utilized to value the four infill lots. Adjustments have been made for market conditions, location, corner/frontage, view, development potential, physical characteristics, and size.

**Maunaloa Infill Lots**

**Comparables Examined**

Five transactions were selected for detailed comparison with the subject TMK 5-1-02, Parcel 17. These have been identified as R-1 through R- 5 and represent lots that were acquired for single family residential purposes. All transactions are situated in the Maunaloa North subdivision.

**Compensating Adjustments**

No adjustment for market conditions was employed as all transactions are current. Located in Maunaloa North, all transactions were rated superior to the subject lot for location. The corner configurations of Transactions R-1 and R-5 were judged superior to the single frontage of the subject. The subject’s Park Community Plan designation was rated inferior to all transactions. Being designated Interim/Park, the subject which was considered inferior to all comparables.

After all adjustments including recognition of size differences, the mean, weighted, and concluded values were as follows:

<b>Property</b>	<b>Mean</b>	<b>Weighted</b>	<b>Concluded</b>
5-1-2-17	\$106,025	\$106,911	\$107,000

**Kualapuu Infill Lot**

**Comparables Examined**

Transactions M-1 through M-3 were selected for comparison with the subject lot. Transactions M-1 and M-2 are rectangular shaped lots and Transaction M-3 is slightly irregular. Transactions M-2 and M-3 are located in close proximity to the subject in the Kalae Houselots subdivision north of the subject. Transaction M-1 is a rectangular shaped lot situated south of the subject in a subdivision off of Farrington Avenue.

**Compensating Adjustments**

The methodology and adjustment rationale is similar to that of the Maunaloa infill lots. This analysis employed a two percent per annum market conditions allowance. The location of Transaction M-1 off of Farrington Avenue was rated inferior to the subject. Having unimproved roadway access, the subject was rated inferior to all transactions. The irregular shape and slightly sloping topography of the subject was rated inferior to Transactions M-1 and M-2.

After all adjustments including a size allowance, the values ranged from \$62,966 to \$80,003 per lot, with a mean of \$69,170 and a weighted value of \$71,878.

We conclude a value of \$71,000 for the 13,634-square-foot TMK 5-2- 13, Parcel 12.

**Kaunakakai Infill Lot****Comparables Examined**

Valuation of the triangular shaped infill lot in Kaunakakai employed Transactions M-4, M-5, and M-6. Transaction M-4 is in the Kaunakakai Homesteads subdivision on Manila Place in Kaunakakai. Transactions M-5 and M-6 are located north of Kaunakakai town on Kaiwi and Kikipua Streets

**Compensating Adjustments**

An allowance of two percent per annum was applied for market conditions. Due to its large size, offering subdivision possibilities, the subject was rated superior to all transactions for development potential. The triangular shape of the subject was deemed inferior to all transactions. The size adjusted values ranged from \$100,976 to \$139,040 per lot, with a mean of \$118,104 and a weighted value of \$120,198.

We conclude a value of \$120,000 for the 27,276-square-foot TMK 5-3-11, Parcel 38.

**Concluded Market Value in the Existing State**

As summarized Table 18, the aggregate value of the infill parcels was estimated at **\$398,000** as of July 31, 2018.

Table 18

## VALUE CONCLUSIONS – INFILL LOTS

Second Division Tax Map Key	Land Area (Sq. Ft.)	Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
5-1-2-17	42,013	Fee Simple	Church	\$207,000 <sup>(1)</sup>	6 to 9 Months
5-2-13-12	13,634	Fee Simple	Vacant Lot	\$71,000	6 to 9 Months
5-3-11-38	27,276	Fee Simple	Vacant Lot	\$120,000	6 to 9 Months
<b>Aggregate</b>	<b>114,068 Sq. Ft. 1.904 Acres</b>			<b>\$398,000</b>	

<sup>(1)</sup> Includes an allowance of \$100,000 for the church improvements.

**CONTRIBUTORY VALUE OF  
TELECOMMUNICATIONS LICENSES AND OTHER LEASES**

## IDENTIFICATION

Tenant or License	Lease Term	Annual Rent	Rent Changes
SprintCom, Inc.	01/01/2017 – 12/31/2021	\$42,000	Assume extend for 10 yrs. CPI
Ikehu Molokai	08/13/2015 – 08/13/2047	\$63,781.32	CPI
Cooke Estate	01/01/2016 – 12/31/2050	\$10,302.00	CPI
Aeronautical Radio	05/01/1983 – 04/30/2023	\$212,685.20	CPI
Hawaiian Telcom Puunana	01/01/2018 – 12/31/2022	\$53,326.80	Assume extend for 10 yrs. CPI
Oceanic Time Warner Cable	09/01/1993 – 12/31/2019	\$24,213.24	Assume extend for 10 yrs. CPI
Maui Electric	09/16/1989 – 09/15/2039	\$12,000	Fixed for entire term
Cellco Partnership (Verizon)	05/01/2008 – 04/30/2058	\$28,183.08	CPI
Crown Castle	02/15/1994 – 10/31/2023	\$36,657.12	CPI
State of Hawaii (DLNR)	07/01/2004 – 06/30/2024	\$50,000	Automatic 10-year extension

**Location/Address** Aeronautical Radio has sites on portions of TMK 5-1-2, Parcels 1, 4 and 35.

Crown Castle, SprintCom, Inc., Oceanic, Maui Electric, and State of Hawaii have sites situated on portions of TMK 5-1-2, Parcel 4.

Cellco Partnership Maunaloa is located on a portion of TMK 5-1-9, Parcel 118.

Hawaiian Telcom Puunana is located on TMK 5-1-2, Parcel 13.

Robert Cooke Estate is located on TMK 52-13-21.

Ikehu Molokai LLC is for a portion of TMK 5-2-11-29.

**PROPERTY DESCRIPTION**

**Beneficial Interest** The beneficial interest of the telecommunications licenses is held by Molokai Properties Limited.

**Recent Subject Property Market Activity** None known.

**Physical Description** The telecommunications facilities consist of a variety of towers, antennas, satellite dishes, and small shelter buildings situated along the Puunana ridgeline and other strategically located sites on Molokai. Additional cash flows are generated by leases for residential and energy uses.

**VALUATION ANALYSIS**

**Rights Appraised** Present value of income stream.

**Highest and Best Use** Telecommunications, residential, and energy.

**Specific Value Considerations** The underlying land parcels have been valued with other asset groups thus resulting in no reversionary interest being added to the present value of the periodic income streams.

**Valuation Approach Utilized**

Income capitalization analysis has been employed to value the revenue generated by these telecommunications, residential, and energy facilities. The lease term, annual rent, and method of rent escalation are summarized in the table above. Pertinent assumptions of our cash flow analysis are summarized below:

- The annual compound rate of change in Consumer Price Index (CPI) over the past 28 years averages 2.72 percent. Therefore, we have employed a CPI of 3.0 percent per annum for those licenses requiring annual CPI escalations.
- The telecommunications facilities are significant and integral components of the entire network of communication and transmission for these licensees. Therefore, there is a high likelihood of continued demand for these sites. As such, we have assumed all licenses and leases expiring in the near term (less than five years) will continue at least for ten years after their upcoming expiration.
- The income stream from the telecommunications facilities are considered highly reliable thus reducing the associated risks and resulting in the selection of a ten percent discount rate. The same rate was employed for the residential and energy leases as they were also judged highly reliable.

**Concluded Market Value in the Existing State**

As summarized in Table 19, the aggregate contributory present value of the telecommunications revenues and income from the residential and energy leases was estimated to be **\$4,089,000** as of July 31, 2018.

Table 19

CONTRIBUTORY VALUE OF TELECOMMUNICATIONS LICENSES

<b>Second Division Tax Map Key</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
SprintCom Inc.	P.V. of Cash Flow	Telecommunications	\$343,000	N.A.
Ikehu Molokai LLC	P.V. of Cash Flow	N.A.	803,000	N.A.
Cooke Estate	P.V. of Cash Flow	Residential	145,000	N.A.
Aeronautical Radio	P.V. of Cash Flow	Telecommunications	\$860,000	N.A.
H-Telcom Puunana	P.V. of Cash Flow	Telecommunications	\$488,000	N.A.
Oceanic Time Warner	P.V. of Cash Flow	Telecommunications	\$192,000	N.A.
Maui Electric	P.V. of Cash Flow	Telecommunications	\$104,000	N.A.
Cellco (Verizon)	P.V. of Cash Flow	Telecommunications	\$375,000	N.A.
Crown Castle	P.V. of Cash Flow	Telecommunications	\$348,000	N.A.
State (DLNR)	P.V. of Cash Flow	Telecommunications	\$431,000	N.A.
<b>Aggregate</b>			<b><u>\$4,089,000</u></b>	

## CONTRIBUTORY VALUE OF THE GAS COMPANY LEASE

## IDENTIFICATION

Tenant	Lease Term	Annual Rent	Rent Changes
The Gas Company (*)	04/01/2007 – 03/31/2022	\$10,656	FMV

(\*) Assumes lease extended for two, five year periods consistent with extending the lease for at least ten years beyond the upcoming expiration.

**Location/Address** The Gas Company is located on TMK 5-2-11, Parcel 29 (por.) and 24 adjacent to the Molokai Industrial Park.

## PROPERTY DESCRIPTION

**Beneficial Interest** The beneficial interest in the lease is held by Molokai Properties Limited.

**Recent Subject  
Property Market Activity** None known.

**Physical Description** The Gas Company lease encumbers 15,000 square feet and is minimally improved with lessee constructed improvements.

## VALUATION ANALYSIS

**Rights Appraised** Present value of income stream.

**Highest and Best Use** Industrial.

**Specific Value Considerations** The underlying land parcel has been valued with other asset groups thus resulting in no reversionary interest being added to the present value of the periodic income streams.

**Valuation Approach Utilized** Income capitalization analysis has been employed to value the revenue generated by these lease agreements. The lease term, annual rent, and method of rent escalation are summarized in the table above. Pertinent assumptions of our cash flow analysis are summarized below:

- The fee simple interest in the 15,000-square-foot Gas Company site was renegotiated the lease rent for the five-year period commencing April 1, 2017 at \$10,656 per annum.



- The income stream from this lease is considered highly reliable resulting in the selection of a ten percent discount rate.

**Concluded Market Value  
in the Existing State**

As summarized on Table 20, the aggregate contributory present value of the lease revenues was estimated to be **\$97,000** as of July 31, 2018.

**Table 20**

**CONTRIBUTORY VALUE OF THE GAS COMPANY LEASE**

<b>Second Division Tax Map Key</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b>	<b>Reasonable Exposure Time</b>
The Gas Company	Present Value of Cash Flow	Baseyard	<u>\$97,000</u>	<u>N.A.</u>

## PROPERTIES WITH NO MARKET VALUE

Properties that are estimated to not have a market include various roadways, remnant lots, utilities, greenbelts, and parks. These components are typically considered non-marketable assets that enhance the value of other lands, but have no market value in and of themselves. The following table summarizes the Molokai Ranch holdings with no market value.

Table 21

## MOLOKAI RANCH HOLDINGS WITH NO MARKET VALUE

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value	Reasonable Exposure Time
5-1-2-21	44.363	Fee Simple	Roadway	\$0	N.A.
5-1-3-9	20.158	Fee Simple	Roadway	\$0	N.A.
5-1-4-18	2.001	Fee Simple	Utility	\$0	N.A.
5-1-4-36	2.562	Fee Simple	Utility	\$0	N.A.
5-1-6-157	58.442	Fee Simple	Roadway	\$0	N.A.
5-1-9-109	0.286	Fee Simple	Greenbelt	\$0	N.A.
5-1-9-116	1.168	Fee Simple	Park	\$0	N.A.
5-1-9-119	9.029	Fee Simple	Roadway	\$0	N.A.
5-1-10-133	1.658	Fee Simple	Park	\$0	N.A.
5-1-10-135	0.081	Fee Simple	Roadway	\$0	N.A.
5-1-10-136	0.079	Fee Simple	Roadway	\$0	N.A.
5-1-10-137	10.551	Fee Simple	Roadway	\$0	N.A.
5-2-11-8	0.534	Fee Simple	Roadway	\$0	N.A.
5-2-12-25	0.004	Fee Simple	Roadway	\$0	N.A.
5-2-12-35	0.980	Fee Simple	Roadway	\$0	N.A.
5-2-28-108	0.018	Fee Simple	Roadway	\$0	N.A.
5-2-29-60	0.280	Fee Simple	Roadway	\$0	N.A.
5-2-31-23	1.726	Fee Simple	Roadway	\$0	N.A.
5-3-2-94	0.242	Fee Simple	Park	\$0	N.A.
5-3-2-97	5.457	Fee Simple	Park	\$0	N.A.
5-3-2-105	0.264	Fee Simple	Park	\$0	N.A.
5-3-2-131	0.099	Fee Simple	Roadway	\$0	N.A.
5-3-2-161	0.002	Fee Simple	Remnant	\$0	N.A.
5-3-2-163	0.002	Fee Simple	Remnant	\$0	N.A.
5-3-2-164	0.002	Fee Simple	Remnant	\$0	N.A.
5-3-2-167	5.411	Fee Simple	Park	\$0	N.A.
5-3-6-41	0.003	Fee Simple	Remnant	\$0	N.A.
5-3-8-23	0.042	Fee Simple	Utility	\$0	N.A.
5-3-10-16	0.231	Fee Simple	Roadway	\$0	N.A.
5-3-11-130	0.372	Fee Simple	Roadway	\$0	N.A.
<b>Aggregate</b>	<b>166.047</b>			<b>\$0</b>	

## MPL'S CORPORATE HONOLULU OFFICE SPACE

## IDENTIFICATION AND VALUE

## MOLOKAI RANCH HONOLULU OFFICE SPACE

First Division Tax Map Key	Leased Area (Sq. Ft.)	Zoning/ Land Use	Existing Use	Classification Held For	Concluded Value
2-1-11-01	<u>2,033</u>	BMX-4	Office	Leasehold Rental	<u>\$0</u>

**Location/Address** 1003 Bishop Street, Pauahi Suite 1170 Honolulu, Hawaii 96813.

**Site Specific Environs** The leasehold office space is located in the Class A Pauahi Tower of Bishop Square at the center of the Honolulu's central business district.

## LEASE DESCRIPTION

<b>Landlord</b>	Douglas Emmett 2010, LLC (an independent third party).
<b>Floor Area Leased</b>	2,033 Square Feet.
<b>Lease Term</b>	Remaining Term, 2-1/2 months; lease it expires October 18, 2018.
<b>Monthly Rent</b>	Reportedly \$5,964.51 (includes Monthly Maintenance Charges CAM & Hawaii GE Tax of 4.712%)
<b>Rent Changes</b>	Level.
<b>Comments</b>	Assignment or sub-letting of the space is prohibited.

## VALUATION

<b>Rights Appraised</b>	Short Term Leasehold.
<b>Highest and Best Use</b>	Office Space.
<b>Specific Value Considerations</b>	The premises are currently vacant. The leasehold interest has no commercial value due to the prohibition against assignment or sub-letting, the lack of substantial profit rent, and the very short remaining lease term.

**Concluded Market Value in the Existing State**

The asset was determined to have zero commercial value as of July 31, 2018.

**Reasonable Exposure Time**

Not Applicable.

**CERTIFICATION**

We certify that to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- CBRE has performed appraisals regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results, a requested minimum valuation, specific valuation, or the approval of a loan.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- A personal inspection of the properties that are accessible by vehicle and are the subject of this report were visited by James E. Hallstrom, Jr., Brian S. Goto, and Jeffrey K. Hallstrom; other inaccessible properties were not re-visited for purposes of this specific valuation, but were viewed from a distance and further analyzed via aerial photographs and Geographic Information Systems (GIS) data.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, the undersigned have completed the continuing education program of Designated Members of the Appraisal Institute.

**James E. Hallstrom, Jr., MAI, CRE, FRICS**

Hawaii State Certified

General Appraiser, CGA-178

Exp. Date December 31, 2019

**Brian S. Goto, MAI, SRA | Director**

Hawaii State Certified  
General Appraiser, CGA-62  
Exp. Date December 31, 2019

**Jeffrey K. Hallstrom, MAI | Director**

Hawaii State Certified  
General Appraiser, CGA-817  
Exp. Date December 31, 2019

**Nathan W. Alexander, MAI | Director**

Hawaii State Certified  
General Appraiser, CGA-1097  
Exp. Date December 31, 2019

**Lawrence A. Levenson**

Senior Appraiser  
Appraiser Trainee  
License # R170113001  
Exp. December 31, 2019

/18-251LA-2495

## ADDENDA

## ASSUMPTIONS AND LIMITING CONDITIONS

1. CBRE, Inc. through its appraiser (collectively, “CBRE”) has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the “Report”), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
  - (i) The confirmation by MPL that title to the subject property is clear and marketable is true, accurate and not misleading, and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
  - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
  - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
  - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.

- (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
- (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
- (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
- (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
- (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
- (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.
- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage



area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.

5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

**1. RESPONSIBILITY STATEMENTS**

The information contained in this Scheme Document relating to the Guoco Group has been supplied by Guoco. The issue of this Scheme Document has been approved by the Guoco Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document relating to the Guoco Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document by the Guoco Group 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.

The information contained in this Scheme Document relating to Hong Leong and the Offeror Group has been supplied by the Offeror. The issue of this Scheme Document has been approved by the Offeror Directors and the Hong Leong Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Guoco Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Guoco Group) 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**

As at the Latest Practicable Date:

- (a) the authorised share capital of Guoco was US\$500,000,000 divided into 1,000,000,000 Shares of US\$0.50 each;
- (b) Guoco had 329,051,373 Shares in issue;
- (c) no Shares had been issued since 30 June 2018, the end of the last financial year of Guoco;
- (d) all of the Shares ranked *pari passu* in all respects as regards rights to capital, dividends and voting; and
- (e) there were no outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by Guoco that carry a right to subscribe for or which are convertible into the Shares.

**3. MARKET PRICE**

The table below sets out the closing price of the Shares on the Stock Exchange on: (a) the last business day of each of the calendar months during the period commencing six months preceding the Announcement Date up to the Latest Practicable Date; (b) the Last Trading Day; and (c) the Latest Practicable Date:

	<b>Closing price per Share (HK\$)</b>
29 December 2017	100.40
31 January 2018	111.60
28 February 2018	110.00
29 March 2018	103.80
30 April 2018	104.40
31 May 2018	114.40
29 June 2018 (Last Trading Day)	118.00
31 July 2018	129.30
31 August 2018	130.20
28 September 2018	130.20
5 October 2018 (Latest Practicable Date)	129.00

The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date were HK\$100.40 per Share on 29 December 2017 and HK\$130.80 per Share on 21 September 2018, respectively.

The Total Price of HK\$135.00 per Scheme Share represents a premium of approximately 4.7% over the closing price of HK\$129.00 per Share as quoted on the Stock Exchange on 5 October 2018 (being the Latest Practicable Date).

Using the Notional VWAP Price per HLF Share, the notional Scheme Consideration of HK\$103.00 per Scheme Share under the section headed “3. Worked example for illustrative purposes” in “Part V – Letter from the Guoco Board” in this Scheme Document represents a discount of approximately 20.2% over the closing price of HK\$129.00 per Share as quoted on the Stock Exchange on 5 October 2018 (being the Latest Practicable Date).

The above comparison of the notional Scheme Consideration against the closing price per Share is a worked example for illustrative purposes only.

**The Scheme Consideration, together with the Cash Alternative Amount (where a Scheme Shareholder elects for the Cash Alternative), will always equal the Total Price.**

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## APPENDIX III GENERAL INFORMATION OF GUOCO AND THE OFFEROR

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Since the Scheme and the Distribution are inter-conditional, there will not be a situation where the Scheme Shareholders will receive the Scheme Consideration only and not the Scrip Alternative Shares and/or the Cash Alternative Amount. Further details on the inter-conditional of the Scheme and the Distribution are set out in the sections headed “4. Conditions of the Scheme” and “6. Conditions of the Distribution” in “Part VIII – Explanatory Statement” of this Scheme Document.

**The above comparison is unadjusted for the value of the HLFG Shares which will be distributed to the Shareholders pursuant to the Distribution.** The Total Price represents all elements that the Scheme Shareholders will receive. Further details are set out in the section headed “2.4 Total Price” of “Part V - Letter from the Guoco Board” of this Scheme Document.

The Scheme Shareholders should be aware that above worked example is for illustrative purposes only and does not constitute any representation that the actual Scheme Consideration, the actual VWAP Price per HLFG Share or the actual Cash Alternative Amount will be as assumed under this worked example.

Under the Proposal, the actual Scheme Consideration, the actual VWAP Price per HLFG Share and the actual Cash Alternative Amount will only be confirmed at the end of the VWAP Period.

#### **4. DISCLOSURE OF INTERESTS**

For the purpose of this section, “interested” and “interests” have the same meanings as given to them in the appropriate part of the SFO.

**4.1 Interests and dealings in the Shares**

- (a) As at the Latest Practicable Date, the Offeror and the Concert Parties had the following interests in Shares:

Name of Shareholder	Number of Shares	Approximate percentage of total issued share capital of Guoco (%)
<b>Offeror</b>	236,524,930	71.88
<b>Concert Parties</b>		
Mr. Kwek Leng Hai <sup>1</sup>	3,800,775	1.16
Mr. Kwek Leng San <sup>2</sup>	209,120	0.06
Mr. Quek Leng Chan <sup>3</sup>	1,656,325	0.50
Mr. Quek Leng Chye <sup>4</sup>	16,822	0.01
AFCW <sup>5</sup>	4,026,862	1.22
Mr. Tang Hong Cheong <sup>6</sup>	10,000	0.003
<b>Aggregate number of Shares held by the Concert Parties</b>	9,719,904	2.95
<b>Aggregate number of Shares held by the Offeror and the Concert Parties</b>	246,244,834	74.83
<b>Aggregate number of Shares held by the Independent Scheme Shareholders</b>	82,806,539	25.17
<b>Total</b>	329,051,373	100.00

*Notes:*

- (1) Mr. Kwek Leng Hai is a director of the Offeror and, therefore, deemed to be a Concert Party. These 3,800,775 Shares held by him will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (2) Mr. Kwek Leng San is a director of the Offeror and, therefore, deemed to be a Concert Party. These 209,120 Shares held by him will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (3) Mr. Quek Leng Chan is a director of the Offeror and, therefore, deemed to be a Concert Party. As at the Latest Practicable Date, he held 1,056,325 Shares under his personal name and 600,000 Shares through CL, which is wholly-owned by him. These 1,656,325 Shares held by Mr. Quek Leng Chan will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (4) Mr. Quek Leng Chye is a brother of Mr. Quek Leng Chan, Mr. Kwek Leng Hai and Mr. Kwek Leng San and, therefore, deemed to be a Concert Party.

## APPENDIX III GENERAL INFORMATION OF GUOCO AND THE OFFEROR

- (5) AFCW is an indirect subsidiary of the Offeror (through its shareholding in Guoco) and, therefore, deemed to be a Concert Party. AFCW is the trustee of the share option plan adopted by Guoco on 16 December 2002 and currently holds 4,026,862 Shares. AFCW has undertaken to Guoco not to exercise its voting rights in respect of any Shares held under the trust unless otherwise instructed by Guoco. These 4,026,862 Shares held by AFCW will form part of the Scheme Shares and will be cancelled upon the Scheme becoming binding and effective in accordance with its terms.
- (6) Mr. Tang Hong Cheong is a director of HLH and, therefore, deemed to be a Concert Party. He has an option in respect of 120,000 Shares. Mr. Tang Hong Cheong's holding of 10,000 Shares, together with his option in respect of these 120,000 Shares, represents approximately 0.04% of the total issued share capital of Guoco.
- (b) During the Disclosure Period, there have been no dealings for value in the Shares by the Concert Parties.
- (c) As at the Latest Practicable Date, the following Guoco Directors had the following interests in Guoco:

<b>Name of Guoco Director</b>	<b>Number of Shares</b>	<b>Approximate percentage of the total issued share capital of Guoco (%)</b>
Mr. Kwek Leng Hai	3,800,775	1.16%
Mr. Tang Hong Cheong <sup>Note</sup>	10,000	0.003%
Mr. Kwek Leng San	209,120	0.06%
Mr. Tan Lim Heng	566,230	0.17%
Mr. David Michael Norman	4,000	0.00%

*Note:*

Mr. Tang Hong Cheong has an option in respect of 120,000 Shares. His holding of 10,000 Shares, together with his option in respect of 120,000 Shares, represents approximately 0.04% of the total issued share capital of Guoco.

- (d) Save as disclosed in paragraphs 4.1 (a) and (c) in this Appendix III,
- (i) none of the Offeror, the Offeror Directors and the Concert Parties in respect of the Proposal had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Disclosure Period;
- (ii) as at the Latest Practicable Date, none of the Offeror, the Offeror Directors nor any Concert Party owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of the Shares;

- (iii) none of the Guoco Directors owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date or had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Disclosure Period; and
- (iv) as at the Latest Practicable Date, no subsidiary of Guoco, pension fund of Guoco or of any subsidiary of Guoco or person who is presumed to be acting in concert with Guoco by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of Guoco by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal trader or exempt fund manager) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares. During the Offer Period up to the Latest Practicable Date, no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (e) As at the Latest Practicable Date, no other person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror (or with any of the Concert Parties) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares or dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Disclosure Period.
- (f) No fund managers connected with Guoco (other than exempt fund managers) who managed funds on a discretionary basis owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of any Shares as at the Latest Practicable Date or had dealt for value during the Offer Period up to the Latest Practicable Date in the Shares or convertible securities, warrants, options or derivatives in respect of any Shares.
- (g) Save for the Proposal, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Guoco or with any person who is presumed to be acting in concert with Guoco by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of Guoco by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date, or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares during the Offer Period up to the Latest Practicable Date.



- (h) As at the Latest Practicable Date, there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between Guoco, or any person who is presumed to be acting concert with Guoco 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 Guoco by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person.

#### **4.2 Interests and dealings in the Offeror’s shares**

Save as disclosed in the section headed “8. Shareholding Structure of Guoco and Voting” of “Part VIII – Explanatory Statement” of this Scheme Document, none of Guoco and the Guoco Directors had interest in the Offeror’s shares or convertible securities, warrants, options or derivatives in respect of the Offeror’s shares as at the Latest Practicable Date. During the Disclosure Period, neither Guoco nor the Guoco Directors had dealt for value in any such shares or any convertible securities, warrants, options or derivatives in respect of the Offeror’s shares.

#### **4.3 Arrangements with the Offeror and the Concert Parties in respect of the Proposal**

As at the Latest Practicable Date:

- (a) there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any Concert Party and any other person;
- (b) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme;
- (c) the Offeror has no intention to transfer, charge or pledge any securities in Guoco acquired pursuant to the Scheme to any other person, and has no agreement, arrangement or understanding with any third party to do so; and
- (d) none of the Offeror, the Concert Parties, Guoco or the Guoco Directors had borrowed or lent any Shares or convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares or convertible securities, warrants, options or derivatives in respect of such Shares which have been either on-lent or sold.

**4.4 Other interests**

As at the Latest Practicable Date:

- (a) no benefit was or would be paid to any Guoco Director as compensation for loss of office or otherwise in connection with the Scheme;
- (b) other than the Proposal, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any Concert Party and any Guoco Directors, recent Guoco Directors, Shareholders or recent Shareholders, which had any connection with or dependence upon the Scheme;
- (c) other than the Proposal, no agreement or arrangement existed between any Guoco Director and any other person, which was conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme;
- (d) no material contract had been entered into by the Offeror in which any Guoco Director had a material personal interest; and
- (e) none of the Guoco Directors had any service contract with Guoco or any of its subsidiaries or associated companies in force 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; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

**5. MATERIAL LITIGATION**

As at the Latest Practicable Date, there was no material litigation or claim of material importance to which Guoco was, or might become, a party which was known to the Guoco Directors to be pending or threatened against any member of the Guoco Group.

**6. MATERIAL CONTRACT**

The following contract (being the contract not entered into in the ordinary course of business carried on or intended to be carried on by the Guoco Group) has been entered into by the Guoco Group within the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which is or may be material:

- (a) HLFG Shares Undertaking

**7. EXPERTS**

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

<b>Name</b>	<b>Qualifications</b>
Evercore	A licensed corporation under the SFO, licensed to carry out Type 1 ( <i>Dealing in securities</i> ) and Type 6 ( <i>Advising on corporate finance</i> ) regulated activities under the SFO
Platinum	A licensed corporation under the SFO, licensed to carry out Type 1 ( <i>Dealing in securities</i> ) and Type 6 ( <i>Advising on corporate finance</i> ) regulated activities under the SFO
Somerley	A licensed corporation under the SFO, licensed to carry out Type 1 ( <i>Dealing in securities</i> ) and Type 6 ( <i>Advising on corporate finance</i> ) regulated activities under the SFO
Crowe Horwath First Trust Appraisal Pte Ltd	Member of Hong Kong Institute of Surveyors
Christie & Co	Royal Institution of Chartered Surveyors
Gerald Eve LLP	Royal Institution of Chartered Surveyors
Cushman & Wakefield Spain Limited	Royal Institution of Chartered Surveyors
CBRE, Inc.	Member of the Appraisal Institute

**8. CONSENTS**

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

**9. MISCELLANEOUS**

- (a) The Guoco Directors are:

*Executive Chairman*

Mr. Kwek Leng Hai

*President and CEO*

Mr. Tang Hong Cheong

*Non-executive Guoco Directors*

Mr. Kwek Leng San

Mr. Tan Lim Heng

*Independent non-executive Guoco Directors*

Mr. Volker Stoeckel

Mr. Roderic N. A. Sage

Mr. David Michael Norman

- (b) The company secretary of Guoco is Ms. Stella Lo Sze Man.
- (c) The registered office of Guoco is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (d) The principal place of business of Guoco in Hong Kong is at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (e) The principal share registrar of Guoco is MUFG Fund Services (Bermuda) Limited situated at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (f) The Hong Kong branch share registrar and transfer office of Guoco is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (g) The Offeror Directors are Mr. Quek Leng Chan, Mr. Kwek Leng San, Mr. Kwek Leng Beng and Mr. Kwek Leng Hai.
- (h) The Hong Leong Directors are Mr. Quek Leng Chan, Mr. Kwek Leng Beng, Mr. Kwek Leng Hai, Mr. Kwek Leng Peck, Dr. Poh Soon Sim and Mr. Kwek Leng San.
- (i) The registered office of the Offeror is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (j) The registered office of Hong Leong is Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.

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## APPENDIX III GENERAL INFORMATION OF GUOCO AND THE OFFEROR

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- (k) The principal place of business of Evercore in Hong Kong is at 14/F, Two Exchange Square, Hong Kong and that of Platinum is 21/F, LHT Tower, 31 Queen's Road Central, Hong Kong.
- (l) The principal place of business of Somerley in Hong Kong is 20/F, China Building, 29 Queen's Road Central, Hong Kong.

### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guoco, at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday and on the website of Guoco at [www.guoco.com](http://www.guoco.com) and the website of the SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum of association and bye-laws of Guoco;
- (b) the memorandum of association and bye-laws of the Offeror;
- (c) the annual reports of Guoco for the years ended 30 June 2017 and 2018 respectively;
- (d) the letter from the Guoco Board, the text of which is set out in "Part V – Letter from the Guoco Board" of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in "Part VI – Letter from the Independent Board Committee" of this Scheme Document;
- (f) the letter from Somerley, the text of which is set out in "Part VII – Letter from Somerley" of this Scheme Document;
- (g) the full property valuation reports of the Guoco Group issued by Crowe Horwath First Trust Appraisal Pte Ltd, Christie & Co, Gerald Eve LLP, Cushman & Wakefield Spain Limited and CBRE, Inc.;
- (h) the irrevocable undertakings given by each of the Committed Shareholders, each dated 29 June 2018, in respect of the Committed Shares in favour of the Offeror;
- (i) the material contract referred to in the section headed "6. Material Contract" in this Appendix III;
- (j) written consents referred to in the section headed "8. Consents" in this Appendix III; and
- (k) this Scheme Document.

**IN THE SUPREME COURT OF BERMUDA  
CIVIL JURISDICTION  
COMMERCIAL COURT  
2018: NO. 283  
IN THE MATTER OF  
GUOCO GROUP LIMITED  
And  
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981  
SCHEME OF ARRANGEMENT  
Between  
GUOCO GROUP LIMITED  
And  
THE SCHEME SHAREHOLDERS**

**PRELIMINARY**

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

“Beneficial Owner(s)”	any beneficial owner(s) of the Shares whose Shares are registered in the name of a Registered Owner(s)
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cash Alternative”	the election alternative under the Distribution which allows the Shareholders to receive their entitlements under the Distribution in cash form, as described in “Part VIII – Explanatory Statement” of the Scheme Document
“Cash Alternative Amount”	the cash amount per Share equal to 0.8847 HLF Share multiplied by the VWAP Price
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant or general clearing participant, a custodian participant or an investor participant, who may be an individual, joint individuals or a corporation
“Companies Act”	the Companies Act 1981 of Bermuda
“Court”	the Supreme Court of Bermuda

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which this Scheme (with or without modification(s)) will be voted upon, or any adjournment thereof
“Distribution”	has the meaning given to that term in “Part V – Letter from the Guoco Board” of the Scheme Document
“Distribution Conditions”	the conditions of the Distribution, as set out in “Part VIII – Explanatory Statement” of the Scheme Document
“Distribution Exchange Rate”	the buying rate of HK\$ from RM as announced by the Hong Kong Association of Banks ( <a href="http://www.hkab.org.hk">www.hkab.org.hk</a> ) at 9:00 a.m. (Hong Kong time) on the final date of the VWAP Period
“Effective Date”	the date on which this Scheme, if approved and sanctioned by the Court, becomes effective in accordance with the terms of this Scheme and the Companies Act, being the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in Bermuda for registration
“Entitlement Record Date”	Thursday, 8 November 2018, or such other date as shall be announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders and the Shareholders to receive the Scheme Consideration and the Distribution respectively under the Proposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Explanatory Statement”	the explanatory statement set out in “Part VIII – Explanatory Statement” of the Scheme Document and issued in compliance with section 100 of the Companies Act
“Guoco”	Guoco Group Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are currently listed on the Stock Exchange
“Guoco Board”	the board of directors of Guoco from time to time

“Guoco SGM”	a special general meeting of the Shareholders to be convened for the purposes of considering and, if thought fit, approving all necessary resolutions for the implementation of this Scheme and the approval of the Distribution, or any adjournment thereof
“HKSCC”	Hong Kong Securities Clearing Company Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HLFG”	Hong Leong Financial Group Berhad, a company incorporated in Malaysia with limited liability, whose shares are currently listed on the Official List of Bursa Malaysia Securities Berhad
“HLFG Share(s)”	ordinary share(s) in the issued share capital of HLFG
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Leong”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia with limited liability
“Latest Practicable Date”	5 October 2018, being the latest practicable date prior to the despatch of the Scheme Document for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	31 January 2019 or such later date as may be proposed by the Offeror and permitted by the Executive
“Malaysian Trading Day”	a trading day on Bursa Malaysia Securities Berhad
“Offeror”	GuoLine Overseas Limited, an exempted company incorporated in Bermuda with limited liability and a wholly-owned indirect subsidiary of Hong Leong
“Proposal”	the proposal to privatise Guoco, comprising both this Scheme and the Distribution, as set out in the Scheme Document
“Register”	the register of members of Guoco



“Registered Owner”	in respect of a Beneficial Owner, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the Register as the holder of the Shares in which such Beneficial Owner is beneficially interested
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“Scheme”	this scheme of arrangement under section 99 of the Companies Act between Guoco and the Scheme Shareholders in its present form or with or subject to any modification(s) or addition(s) or condition which the Court may approve or impose
“Scheme Conditions”	the conditions of this Scheme as set out in “Part VIII – Explanatory Statement” of the Scheme Document
“Scheme Consideration”	the cash amount per Scheme Share which the Scheme Shareholders will receive for the cancellation of their Scheme Shares under this Scheme, which is equal to the Total Price less the Cash Alternative Amount
“Scheme Document”	the composite document to be despatched to the Shareholders containing details of this Scheme and the Distribution
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“Scheme Share(s)”	the Share(s) in issue on the Entitlement Record Date other than those held by the Offeror
“Scrip Alternative”	the election alternative under the Distribution which allows the Shareholders to receive their entitlements under the Distribution in scrip form, as described in “Part VIII – Explanatory Statement” of the Scheme Document
“Scrip Alternative Shares”	0.8847 HLF Share for every one Share, rounded down to the nearest whole number
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of US\$0.50 each in the issued share capital of Guoco
“Shareholder(s)”	holder(s) of Share(s) entered in the Register

- |                  |   |
|------------------|---|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers   |
| “Total Price”    | HK\$135 per Scheme Share (being the Scheme Consideration plus the Cash Alternative Amount)  |
| “US\$”           | U.S. dollars, the lawful currency of the U.S.   |
| “VWAP Period”    | the 14 Malaysian Trading Day period ending on the date that is 16 days (or, if such date is not a Malaysian Trading Day, the first day preceding such date which is a Malaysian Trading Day) prior to the Court Meeting being 27 September 2018 to 16 October 2018 (both dates inclusive) |
| “VWAP Price”     | the volume weighted average closing price of the HLFM Shares throughout the VWAP Period, converted to HK\$ using the Distribution Exchange Rate   |
- (B) Guoco was incorporated as an exempted company on 25 May 1990 in Bermuda pursuant to the Companies Act under the name of DH (Bermuda) Ltd with an authorised share capital of US\$12,000.00 divided into shares of US\$0.20 each. As at the Latest Practicable Date, Guoco had an authorised share capital of US\$500,000,000 divided into 1,000,000,000 Shares of US\$0.50 each, of which 329,051,373 Shares have been issued and are fully paid or credited as fully paid.
- (C) The primary purpose of this Scheme is to cancel all Scheme Shares on the Effective Date and simultaneously issue the same number of Shares to the Offeror so that Guoco becomes wholly-owned by the Offeror.
- (D) Guoco has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and the Offeror has undertaken to the Court to be bound by this Scheme, to execute and procure to be executed all documents and to do and to procure done all acts and things which may be necessary or desirable to give effect to this Scheme.
- (E) In addition to the Scheme Consideration and in respect of the Distribution, those Scheme Shareholders who validly elect to receive the Cash Alternative will receive the Cash Alternative Amount and those Scheme Shareholders, other than the Non-Qualifying Shareholders, who validly elect to receive the Scrip Alternative will receive the Scrip Alternative Shares provided that, if a Scheme Shareholder does not elect to receive their entitlement under the Cash Alternative and/or the Scrip Alternative or if their election is unclear or invalid, such Scheme Shareholder will be deemed to have elected to receive their entitlement under the Cash Alternative, in each case subject to this Scheme and the Distribution having become effective in accordance with the Scheme Conditions and the Distribution Conditions respectively.

**THE SCHEME  
PART I**

**CANCELLATION OF THE SCHEME SHARES AND ISSUE OF NEW SHARES**

On the Effective Date:

- (a) all Scheme Shares shall be cancelled and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Scheme Consideration and the Distribution; and
- (b) subject to and simultaneously with the cancellation of the Scheme Shares pursuant to this Scheme, Guoco shall apply the reserve created by the cancellation of the Scheme Shares to restore the issued share capital of Guoco by the allotment and issue of an equal number of Shares, credited as fully paid, to the Offeror.

**PART II**

**CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

In consideration of the cancellation of all Scheme Shares on the Effective Date, all Scheme Shareholders shall be entitled to receive the Scheme Consideration.

**PART III**

**GENERAL**

1. The new Shares issued to the Offeror shall rank *pari passu* in all respects with the existing Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid thereafter.
2. On the Effective Date, the Register shall be updated to reflect the cancellation of the Scheme Shares and all certificates representing the Scheme Shares shall cease to be valid for any purpose.
3. The Scheme Consideration shall be paid by the Offeror as soon as possible but in any event within seven Business Days following the Effective Date.
4. In the absence of any specific instructions to the contrary received in writing by Guoco's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, cheques in respect of the Scheme Consideration will be sent by ordinary post in envelopes addressed to the persons entitled thereto at their respective addresses in the Register or, in the case of joint holders, to the address of the joint holders as shown in the Register in respect of the joint holding. For any Beneficial Owners that hold the Scheme Shares through a nominee (other than HKSCC Nominees Limited), cheques made out in the name of the nominee will be sent by post in envelopes addressed to the nominee. For any Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, cheques will be sent in envelopes addressed to and made available for collection by HKSCC Nominees Limited. Upon receipt of

such cheque, HKSCC Nominees Limited will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, Guoco or their respective advisers shall be responsible for any loss or delay in despatch.

5. On or after the day being six calendar months after the cheques in respect of the Scheme Consideration are posted, the Offeror shall have the right to cancel or countermand payment of any 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.
6. The Offeror shall hold all monies in respect of any uncashed cheques for the Scheme Consideration until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror that they are entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme.
7. This Scheme will become effective as soon as a copy of the order of the Court sanctioning this Scheme shall have been delivered to the Registrar of Companies in Bermuda for registration under section 99 of the Companies Act.
8. Guoco and the Offeror may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.
9. Unless this Scheme has become effective on or before the Long Stop Date, this Scheme shall lapse.
10. Subject to the requirements of the Takeovers Code, the parties shall bear their own costs, charges and expenses of and incidental to this Scheme, save as otherwise agreed by such parties.



國浩集團有限公司  
**Guoco Group Limited**

*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 53)

**IN THE SUPREME COURT OF BERMUDA  
CIVIL JURISDICTION  
COMMERCIAL COURT  
2018 No. 283  
IN THE MATTER OF  
GUOCO GROUP LIMITED  
AND  
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981**

**NOTICE OF COURT MEETING**

**NOTICE IS HEREBY GIVEN** that, by an order (the “**Order**”) dated 28 September 2018 made in the above matter, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 1 November 2018 at 10:00 a.m. (Hong Kong time) for the purpose of considering and, if thought fit, approving (with or without modification(s)) a scheme of arrangement proposed to be made between Guoco Group Limited (the “**Company**”) and the Scheme Shareholders (the “**Scheme**”). All Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory statement explaining the Scheme pursuant to section 100 of the Companies Act 1981 of Bermuda are incorporated in the composite scheme document (the “**Scheme Document**”) of which this notice forms part. A copy of the Scheme Document can also be obtained by the Scheme Shareholders from the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (the “**Share Registrar**”), at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (tel. +852 2862 8555).

The Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether or not a member of the Company, as their proxy to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the Scheme Document.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding. In the case of a Scheme Shareholder who is a corporation, it may by resolution of its directors or other governing body or by power of attorney authorise such person as it thinks fit to act as its corporate representative, as the case may be, at the Court Meeting and each person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual registered shareholder of the Company.

If more than one **pink** form of proxy for the Court Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, such **pink** forms of proxy will not be accepted. If more than one **pink** form of proxy for the Court Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman (as defined below) shall have absolute discretion as to whether or not to accept such **pink** forms of proxy.

Please lodge the **pink** forms appointing proxies to the office of the Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 10:00 a.m. (Hong Kong time) on Tuesday, 30 October 2018. Alternatively, the forms of proxy may be handed to the chairman of the Court Meeting (the "**Chairman**") at the Court Meeting before the taking of the poll. Pursuant to the Order, the Chairman has absolute discretion whether or not to accept all forms of proxy.

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

By the Order, the Court has appointed Mr. Kwek Leng Hai or, failing him, Mr. Tang Hong Cheong, or failing him any other director of the Company to act as Chairman and has directed the Chairman to report the results of the Court Meeting to the Court.

The Scheme will be subject to the subsequent sanction of the Court.

Dated: 10 October 2018

By order of the Court

Conyers Dill & Pearman Limited,  
Clarendon House,  
2 Church Street,  
Hamilton HM11,  
Bermuda

Attorneys for the Company

*As at the date of this notice, the board of directors of the Company comprises the following directors: Executive chairman: Mr. Kwek Leng Hai; President & CEO: Mr. Tang Hong Cheong; Non-executive directors: Mr. Kwek Leng San and Mr. Tan Lim Heng; Independent non-executive directors: Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman.*



### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Guoco Group Limited (the “**Company**”) will be held at The Dragon Room 1 & 2, The Hong Kong Bankers Club, 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Thursday, 1 November 2018 at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the composite scheme document of which this notice forms part)) for the purpose of considering and, if thought fit, approving the special resolution and ordinary resolution set out below:

#### SPECIAL RESOLUTION

1. “**THAT:**

- (a) for the purposes of giving effect to the scheme of arrangement dated 10 October 2018, in the form of the print contained in the composite scheme document (the “**Scheme Document**”) which has been produced to this meeting and initialled or signed by the chairman of the meeting (for the purpose of identification only), between the Company and the Scheme Shareholders (as defined in the Scheme) (with or without modification(s)) (the “**Scheme**”) on the Effective Date (as defined in the Scheme) the Scheme Shares (as defined in the Scheme) shall be cancelled and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Scheme Consideration and the Distribution (both as defined in the Scheme); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered to be necessary or desirable in connection with the completion of the Scheme.”

#### ORDINARY RESOLUTION

2. “**THAT:**

- (a) subject to and simultaneously with the cancellation of the Scheme Shares on the Effective Date, the Company shall apply the reserve created by the cancellation of the Scheme Shares to restore the issued share capital of the Company by the allotment and issue of an equal number of Shares (as defined in the Scheme), credited as fully paid, to GuoLine Overseas Limited;
- (b) subject to the Scheme being approved and becoming effective, the Distribution on the terms as contained in the Scheme Document be and is hereby approved; and

- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered to be necessary or desirable to allot and issue the new Shares and to effect the Distribution referred to in 2(a) and 2(b) above.”

All registered Shareholders are invited to attend.

By Order of the Board  
**GUOCO GROUP LIMITED**  
**Ms. Stella Lo Sze Man**  
Company Secretary

Hong Kong, 10 October 2018

*As at the date of this notice, the board of directors of the Company comprises the following directors: Executive chairman: Mr. Kwek Leng Hai; President & CEO: Mr. Tang Hong Cheong; Non-executive directors: Mr. Kwek Leng San and Mr. Tan Lim Heng; Independent non-executive directors: Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman.*

*Notes:*

1. A registered shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote in his, her or its stead. A proxy need not be a registered shareholder of the Company, but must attend the SGM in person to represent him or her.
2. A **white** form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are urged to complete and return the **white** form of proxy in accordance with the instructions printed on it.
3. To be valid, the **white** form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged at the office of the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (the "**Share Registrar**"), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later 10:30 a.m. (Hong Kong time) on Tuesday, 30 October 2018 (being 48 hours before the time appointed for holding the SGM or any adjournment thereof). Completion and return of the **white** form of proxy will not preclude a registered shareholder of the Company from attending and voting in person at the SGM or any adjournment thereof but in that event the form of proxy will be revoked by operation of law.
4. A registered shareholder of the Company which is a corporation may by resolution of its directors or other governing body or by power of attorney authorise such person or persons as it thinks fit to act as its corporate representative or representatives, as the case may be, at the SGM and each person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual registered shareholder of the Company, provided that if more than one person is authorised, the authority must specify the number and class of shares held by the relevant registered shareholder of the Company in respect of which each such person is authorised to act as such representative.
5. In the case of joint registered holders of a share, any one of such persons may vote at the SGM, either personally or by proxy, as if he, she or it were solely entitled thereto. However, if more than one of such joint holders is present at the SGM personally or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share(s) will alone be entitled to vote in respect thereof.
6. At the SGM, the chairman of the SGM will exercise his power under bye-law 70 of the bye-laws of the Company to put the resolutions to the vote by way of a poll.
7. The register of members of the Company will be closed from Saturday, 27 October 2018 to Thursday, 1 November 2018 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the SGM, all duly completed share transfer forms accompanied by the relevant share certificates must be lodged at the office of the Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 26 October 2018.