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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in Le Saunda Holdings Limited, you should at once hand this circular to the purchaser or other transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**le saunda holdings ltd.**

**萊爾斯丹控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 00738)**

**MAJOR TRANSACTION  
RELOCATION COMPENSATION AGREEMENT**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Announcements”	the announcements of the Company dated 22 June 2020 and 30 November 2020 in relation to the Relocation Compensation Agreement and the transactions contemplated thereunder
“Beijiao Land Development Centre”	佛山市順德區北滘鎮土地發展中心 (transliterated as Foshan Municipal Shunde District Beijiao Town Land Development Centre), a public institution* (事業單位) established by the Foshan Municipal Shunde District Beijiao Town People’s Government* (佛山市順德區北滘鎮人民政府)
“Board”	the board of Directors
“Business Days”	a day (other than a Saturday, a Sunday or a public holiday in the PRC or Hong Kong) on which banks are open for business in the PRC and Hong Kong
“Company”	Le Saunda Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 00738)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jones Lang LaSalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Latest Practicable Date”	15 January 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
“Property”	the parcel of land located at 佛山市順德區北滘鎮莘村村委會工業區 (transliterated as Foshan Municipal Shunde District Beijiao Town Xincun Villagers’ Committee Industrial Zone) in the PRC and the buildings (structures) and related ancillary facilities and attachments erected thereon
“Resumption”	the land resumption of the Property by Beijiao Land Development Centre pursuant to the terms and conditions of the Relocation Compensation Agreement
“Relocation Compensation Agreement”	拆遷補償協議書 (Relocation Compensation Agreement*) in respect of the Property dated 30 November 2020 entered into between Shunde Le Saunda and Beijiao Land Development Centre
“Relocation Compensation”	the aggregate amount of RMB195,317,510 payable to Shunde Le Saunda as relocation compensation under the Relocation Compensation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company

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## DEFINITIONS

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“Shunde Le Saunda” 佛山市順德區利信達鞋業有限公司 (transliterated as Foshan Shunde Le Saunda Footwear Co., Limited), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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**le saunda holdings ltd.**

**萊爾斯丹控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 00738)**

*Executive Directors:*

Ms. Chui Kwan Ho, Jacky

Ms. Liao Jian Yu

Mr. Li Wing Yeung, Peter

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Non-Executive Director:*

Mr. James Ngai (*Chairman*)

*Head Office and Principal Place of*

*Business in Hong Kong:*

*Independent Non-Executive Directors:*

Mr. Lam Siu Lun, Simon

Mr. Leung Wai Ki, George

Mr. Hui Chi Kwan

Suites 1104-1106, 11th Floor

1063 King's Road

Quarry Bay

Hong Kong

20 January 2021

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION RELOCATION COMPENSATION AGREEMENT**

#### **INTRODUCTION**

Reference is made to the Announcements in relation to the Relocation Compensation Agreement and the transactions contemplated thereunder.

The Company has obtained a written Shareholders' approval of the Relocation Compensation Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising Mr. Lee Tze Bun, Marces,

\* For identification purpose only

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## LETTER FROM THE BOARD

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Succex Limited, Stable Gain Holdings Limited and The Lee Keung Charitable Foundation (acting by its trustees) who together held a total of 368,061,000 Shares, representing approximately 52.12% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the written approval from the closely allied group will be accepted in lieu of holding a general meeting of the Company and no general meeting will be convened for the purpose of approving the Relocation Compensation Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further information in relation to the Relocation Compensation Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules.

### THE RELOCATION COMPENSATION AGREEMENT

#### Date

30 November 2020 (after trading hours)

#### Parties

- (1) Shunde Le Saunda
- (2) Beijiao Land Development Centre

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Beijiao Land Development Centre and its ultimate beneficial owner, Foshan Municipal Shunde District Beijiao Town People's Government\* (佛山市順德區北滘鎮人民政府), are third parties independent of the Group and its connected persons (as defined under the Listing Rules).

#### The Resumption

Pursuant to the Relocation Compensation Agreement, Shunde Le Saunda agreed to surrender and Beijiao Land Development Centre agreed to resume the Property in consideration of the Relocation Compensation of RMB195,317,510 on an "as-is" basis subject to the terms and conditions of the Relocation Compensation Agreement.

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## LETTER FROM THE BOARD

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### **Subject of Resumption**

The Property, being a parcel of land situated in Beijiao Town, Shunde District, Foshan Municipality, Guangdong Province, the PRC has an aggregate site area of approximately 38,646.63 square metres and the buildings (structures) constructed thereon have an aggregate gross floor area of approximately 48,033.64 square metres, all of which are for industrial use. A major part of the Property was previously used by the Group as its production plant in Shunde and has been left idle since May 2020 upon cessation of operation. The current use of the other parts of the Property as warehouses would also cease and be vacated before delivery of vacant possession of the Property to Beijiao Land Development Centre.

### **Condition Precedent**

All the transactions under the Relocation Compensation Agreement and the surrender and resumption of the Property contemplated thereunder are conditional on the Company having obtained the Shareholders' approval of the Relocation Compensation Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and other applicable laws, which has been satisfied by the obtaining of a written Shareholder's approval from a closely allied group of Shareholders (for the reasons explained below) who together held a total of 368,061,000 Shares, representing approximately 52.12% of the issued share capital of the Company as at the Latest Practicable Date.

### **Completion**

Within forty-five (45) days upon receipt of payment of the RMB10,000,000 by Shunde Le Saunda or within five (5) days upon the obtaining of the Shareholders' approval, whichever is the later, Shunde Le Saunda shall vacate the Property and notify Beijiao Land Development Centre in writing to conduct inspection on the Property. Within three (3) Business Days upon receipt of payment of the Relocation Compensation in full, Shunde Le Saunda shall deliver vacant possession of the Property together with original of the property ownership certificate (房地產權證) in respect of the Property to Beijiao Land Development Centre.



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## LETTER FROM THE BOARD

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### **Consideration and payment terms**

Pursuant to the Relocation Compensation Agreement, the Relocation Compensation payable by Beijiao Land Development Centre to Shunde Le Saunda in respect of the Resumption is RMB195,317,510, which shall be payable by Beijiao Land Development Centre at such time and in such manner as follows:

- (1) a sum of RMB10,000,000 shall be paid to Shunde Le Saunda within fifteen (15) Business Days upon the signing of the Relocation Compensation Agreement (and receipt of an original by Beijiao Land Development Centre); and
- (2) the remaining balance in the amount of RMB185,317,510 shall be paid to Shunde Le Saunda within fifteen (15) Business Days from the date when (a) a written notice of Shunde Le Saunda confirming the obtaining of the requisite Shareholders' approval of the Relocation Compensation Agreement and the transactions contemplated thereunder having been received by Beijiao Land Development Centre and (b) Beijiao Land Development Centre having satisfied with the vacation of the Property by Shunde Le Saunda.

The Relocation Compensation shall be paid by way of bank transfer or cash deposit to a designated bank account of Shunde Le Saunda.

As at the Latest Practicable Date, the total amount of the Relocation Compensation payable by Beijiao Land Development Centre, being RMB195,317,510, has been received by Shunde Le Saunda and the Resumption and the transactions contemplated under the Relocation Compensation Agreement has been completed.

The amount of the Relocation Compensation was agreed following arm's length negotiations held between Shunde Le Saunda and Beijiao Land Development Centre and taking into account prevailing market conditions. In determining the amount of the Relocation Compensation, the Company has considered the potential costs for vacation and relocation and taken into account various factors including costs of acquiring an alternative site of comparable size in the PRC, costs of building a replacement production plant and warehouse of comparable scale, loss of profit during the transition period as well as ancillary costs for transitional arrangement and redundancy.

### **GENERAL INFORMATION**

The Group is principally engaged in, among other things, the retail and distribution of footwear in the PRC, Hong Kong and Macau.

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## LETTER FROM THE BOARD

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Shunde Le Saunda is principally engaged in, among other things, property holding in the PRC.

Beijiao Land Development Centre is a public institution\* (事業單位) established by the Foshan Municipal Shunde District Beijiao Town People's Government\* (佛山市順德區北滘鎮人民政府) located in Beijiao Town, Shunde District, Foshan Municipality, Guangdong Province, the PRC, and is responsible for, among other things, the implementation of the resumption of the Property.

### REASONS FOR AND BENEFITS OF THE RESUMPTION

The negotiations for the Resumption which precipitated in the entering into of the Relocation Compensation Agreement were initiated and driven by the Foshan Municipal Shunde District Beijiao Town People's Government\* (佛山市順德區北滘鎮人民政府) since January 2020 as part of its land resumption efforts for the purpose of implementing local land planning requirements. The amount of the Relocation Compensation and the terms of the Relocation Compensation Agreement were agreed following extensive negotiations held between Shunde Le Saunda and officials of the Beijiao Land Development Centre.

As a major part of the Property has been left idle since the cessation of operation of the Group's production plant in Shunde, the Directors consider that the Relocation Compensation for the Resumption will enable the Group to realise the value of the Property and free up working capital for its other business operations. The Directors are of the view that the inflow of the Relocation Compensation will further improve the Group's financial and cashflow position and benefit the future business development of the Group.

### VALUATION OF THE PROPERTY

The Company has appointed Jones Lang LaSalle, an independent professional valuer, to value the Property. Details of the valuation is set out in Appendix II to this circular.

The Directors have reviewed Jones Lang LaSalle's qualifications and experience in relation to the valuation of properties in the PRC. Having made reasonable enquiries, the Directors are of the view that Jones Lang LaSalle is a professional property valuer and with appropriate experience in performing property valuations in the PRC.

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## LETTER FROM THE BOARD

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The Directors acknowledge that Jones Lang LaSalle has conducted a site visit for the valuation and has adopted the following valuation methodology and key assumptions:

(1) Valuation methodology

- Due to the nature of the buildings and structures and the particular location of the Property, there are unlikely to be relevant market comparable sales readily available and hence, the Property was valued by cost approach with reference to its depreciated replacement cost.
- Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

(2) Valuation assumptions

- The seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.
- The Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

The Directors have reviewed the valuation report prepared by Jones Lang LaSalle and note that as at 20 November 2020, the market value of the Property was approximately RMB70,700,000 according to the valuation report. The Directors are of the view that due to the nature of the buildings and structures and the particular location of the Property, there are no comparable market sales readily available and taking into account that Jones Lang LaSalle is a professional property valuer with appropriate experience in performing property valuations in the PRC, the Directors consider that the cost approach with reference to its depreciated replacement cost as adopted by Jones Lang LaSalle to value the Property is fair and reasonable.

Based on the above, the Directors are of the view that the valuation methodology and key assumptions adopted in the valuation report prepared by Jones Lang LaSalle as set out in Appendix II to this circular are fair and reasonable.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Relocation Compensation Agreement and the transactions contemplated thereunder exceed 25% but all such percentage ratios are less than 75%, the Relocation Compensation Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) a written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Relocation Compensation Agreement and the transactions contemplated thereunder and hence, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Relocation Compensation Agreement and the transactions contemplated thereunder.

The Company has obtained a written Shareholders' approval of the Relocation Compensation Agreement and the transactions contemplated thereunder from a closely allied group of Shareholders who together held a total of 368,061,000 Shares, representing approximately 52.12% of the issued share capital of the Company as at the Latest Practicable Date, particulars of which are as follows:

Name of Shareholder	No. of issued shares directly held in the Company	Percentage shareholding (approx.)
Lee Tze Bun, Marces	54,561,000	7.72%
Succex Limited	33,000,000	4.67%
Stable Gain Holdings Limited	225,500,000	31.94%
The Lee Keung Charitable Foundation, acting by its trustees	55,000,000	7.79%
<b>Total:</b>	<b>368,061,000</b>	<b>52.12%</b>

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## LETTER FROM THE BOARD

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The above closely allied group would together be regarded as “acting in concert” for the purposes of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, given that Mr. Lee Tze Bun, Marces is the controlling Shareholder and founder of the Group, who also controls and is the sole owner of Succex Limited; Stable Gain Holdings Limited is a corporation held by the trustee of a discretionary family trust of which Mr. Lee is the founder and an eligible beneficiary thereunder; and The Lee Keung Charitable Foundation is also a discretionary trust established by Mr. Lee, of which the three incumbent trustees are family members of Mr. Lee.

Accordingly, the written approval from the closely allied group will be accepted in lieu of holding a general meeting of the Company and no general meeting will be convened for the purpose of approving the Relocation Compensation Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

### FINANCIAL EFFECTS OF THE RESUMPTION AND PROPOSED USE OF PROCEEDS

Based on the latest unaudited financial statement of the Group as at 31 August 2020, the unaudited net book value of the Property as at 31 August 2020 was approximately RMB32,240,000 (approximately 16.50% of the Relocation Compensation). As a result of the Resumption, the Group is expected to record an unaudited net gain of approximately RMB162,678,000, taking into account the estimated direct expenses in connection with the Resumption.

The estimated net gain of approximately RMB162,678,000 is estimated based on the total amount of the Relocation Compensation to be received under the Resumption of RMB195,318,000 less the net book value of the Property of RMB32,240,000 stated in the Group’s latest unaudited financial statement as at 31 August 2020 and the estimated direct expenses of approximately RMB400,000 in connection with the Resumption. The actual gain under the Resumption depends on the net book value of the Property of the Group as at the date of completion of the Resumption and the actual direct costs and expenses to be incurred such as legal and professional fees in connection with the Resumption. The estimated net gain of the Resumption does not take into account of any PRC corporate income tax. The actual amount of gain is subject to Group’s auditor’s review and audit, and accordingly it may be different from the amount above.

No net profits of the Group was attributable to the Property for the two financial years immediately preceding the date of the Relocation Compensation Agreement.

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## LETTER FROM THE BOARD

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Upon completion of the Relocation Compensation Agreement, it is estimated that the total assets of the Group would be increased by approximately RMB162,678,000 which is the total Relocation Compensation to be received under the Resumption less the net book value of the Property and the estimated direct expenses in connection with the Resumption. There will be no material impact on the total liabilities of the Group.

The net proceeds from the Relocation Compensation will be used as general working capital of the Group. Having considered the general economic outlook and effect from the prolonged COVID-19 epidemic, the net proceeds from the Relocation Compensation are intended to be held as cash reserve to meet the Group's operational needs in view of the volatile and fluctuating market conditions.

### RECOMMENDATION

The Directors consider that the terms of the Relocation Compensation Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
**Le Saunda Holdings Limited**  
**James Ngai**  
*Chairman*

**1. THREE-YEAR FINANCIAL INFORMATION**

Financial information of the Group for each of the three years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the six months ended 31 August 2020 is disclosed in the annual reports of the Company for the three years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the interim report of the Company for the six months ended 31 August 2020 respectively, and are incorporated by reference into this circular. All of the abovementioned annual reports and interim report are available on the Company's website at <http://www.lesaunda.com.hk> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The following is the hyperlink to the 2018 annual report of the Company published on 12 June 2018 with its audited consolidated financial statements for the year ended 28 February 2018 on pages 64 to 135:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0612/ltn20180612203.pdf>

The following is the hyperlink to the 2019 annual report of the Company published on 4 June 2019 with its audited consolidated financial statements for the year ended 28 February 2019 on pages 62 to 138:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0604/ltn20190604717.pdf>

The following is the hyperlink to the 2020 annual report of the Company published on 10 June 2020 with its audited consolidated financial statements for the year ended 29 February 2020 on pages 107 to 213:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0610/2020061000367.pdf>

The following is the hyperlink to the interim report of the Company for the six months ended 31 August 2020 published on 12 November 2020 with its unaudited condensed consolidated financial statements for the six months ended 31 August 2020 on pages 22 to 55:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1112/2020111200459.pdf>

**2. INDEBTEDNESS**

As at the close of business on 30 November 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

*RMB'000*

Unsecured lease liabilities	27,865
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Save as disclosed in this circular and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 November 2020, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any mortgages or charges or any other contingent liabilities or guarantees.

**3. WORKING CAPITAL STATEMENT**

The Directors, having made due and careful enquiry, are of the opinion that taking into account the Relocation Compensation Agreement and the transactions contemplated thereunder and the Group's available financial resources including internally generated funds and cash on hand, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular.

**4. MATERIAL ADVERSE CHANGE**

Reference is made to the profit warning announcement of the Company dated 8 June 2020, which disclosed that the Company may record a net loss attributable to the equity shareholders for the six months ended 31 August 2020 as compared with a net profit attributable to the equity shareholders of RMB2,388,000 for the six months ended 31 August 2019 as a result of the significant decrease of the Group's total retail sales due to the adverse impact on retail market brought by the COVID-19 epidemic since late January 2020 and an one-off redundancy cost of approximately RMB36 million as a result of the cessation of the Group's Shunde Production plant since May 2020.



Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 29 February 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

## **5. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

Escalating Sino-US conflicts, weakening export demands and persistence of the Novel Coronavirus Pneumonia (the “**Pandemic**”) globally have added uncertainties to the economic prospect of China and the Group expects 2021 will still be a challenging year for footwear retailers. Nonetheless recent releases of improving economic indicators reflect that China’s economy is recovering gradually after the Chinese government has introduced a series of stabilization policies in response to these unprecedented challenges. On corporate level, the Group also recorded a remarkable improvement in its same-store sales with the decline in the third quarter (i.e. from September to November, 2020) decreased significantly to 2.4%, comparing with a decline of 24.2% for the six months ended 31 August 2020.

Since the cessation of production at Shunde factory in May 2020, the Group has adhered to an entirely outsourcing model, which enables it to focus on product development and design and to bring more diverse and high cost-performance products such as athleisure footwear to the market. The benefits of outsourced production, including lowering of purchase cost and inventory level, are also expected to be realized gradually. The Pandemic has inevitably fostered an increasing number of economic activities taking place online and e-commerce business continues to be one of the key business development directions of the Group. For offline business, shop management and customer services have changed to be more personalized to attract customers back to physical stores after the Pandemic. The inflow of the Relocation Compensation will increase the resources available to the Group for achieving these operating goals and objectives. Coupled with a light-assets operating model, the Group believes that the effective operating strategies that we have practiced in past few years, including optimizing operational structures, enhancing brand value and product quality, reducing operating costs and clearing off-season stocks, will further enhance our competitive edges in the market.

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 20 November 2020 of the property interest to be disposed of by the Group.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7th Floor One Taikoo Place 979 King's Road Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

20 January 2021

The Board of Directors  
Le Saunda Holdings Limited  
Suites 1104-06, 11/F,  
1063 King's Road  
Quarry Bay  
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest to be disposed of by Le Saunda Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the PRC, we confirm that we have carried out site inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 20 November 2020 (the “**valuation date**”).

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

Due to the nature of the buildings and structures of property and the particular location in which it is situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by cost approach with reference to its depreciated replacement cost.

Cost approach is adopted with reference to the depreciated replacement cost of the property. Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, floor area, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have been shown copies of various title documents including the Real Estate Title Certificate (房地產權證) and other title documents relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal adviser — Schinders Law (廣東實德律師事務所), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the area in respect of the property but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

Inspection of the property was carried out on 11 December 2020 by Mr. Jason Chen. Mr. Jason Chen has more than two years' experience in the valuation of properties in the PRC and possesses academic background in subjects relating to real estate valuation.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of this property under frequent review.

Our valuation certificate is attached below for your attention.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Eddie T. W. Yiu**

*MRICS MHKIS RPS (GP)*

*Senior Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## VALUATION CERTIFICATE

## Property interest held for occupation by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value
			in existing state as at 20 November 2020 RMB
A parcel of land, various buildings and structures located in Shen Cun Village Committee Industrial Zone, Bei Jiao Zhen, Shunde District, Foshan City, Guangdong Province, the PRC (中國廣東省佛山市順德區北滘鎮莘村村委會工業區)	<p>The property comprises a parcel of land with a site area of approximately 38,646.63 sq.m. and various buildings and structures erected thereon which were completed between 1995 and 2009.</p> <p>The property is located at the northern side of Sanle Road, Shunde District Foshan City. The subject area of the property is well-served by public transportation. It is about 30 minutes driving distance to Guangzhou South High Speed Rail Station. The locality of the property is an industrial area with various industrial buildings.</p> <p>The buildings have a total gross floor area of approximately 48,033.64 sq.m. and the details are set out in Note 2.</p> <p>The ancillary structures mainly include roads, boundary walls, basketball court and water pool.</p> <p>The land use rights of the property have been granted for a term expiring on 31 July 2044 for industrial use.</p>	As at the valuation date, the property was vacant.	70,700,000

## Notes:

- Pursuant to a Real Estate Title Certificate (房地產權證) — Yue Fang Di Chan Quan Zheng Fo Di No. 0300051286 (粵房地產權證佛字第0300051286號) issued by Foshan Government (佛山市人民政府) and Foshan Real Estate Administration Bureau (佛山市房產管理局), the land use rights of a land parcel with a site area of approximately 38,646.63 sq.m. have been granted to Shunde Le Saunda Footwear Co., Limited (佛山市順德區利信達鞋業有限公司) (“**Shunde Le Saunda**”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 31 July 2044 for industrial use. The building ownership rights of various buildings with a total gross floor area of approximately 48,033.64 sq.m. are owned by Shunde Le Saunda.

2. According to the information provided by the Company, the breakdown of the gross floor area is set out as follows:

No.	Building	No. of storey	Gross Floor Area
			<i>Approx. (sq.m.)</i>
1	Guard Room 1	1	30.367
2	Guard Room 2	1	31.598
3	Planer House (刨板房)	1	97.836
4	Glue Warehouse	1	20.561
5	Power generation and distribution room	1	463.423
6	Old Warehouse	4	10,789.951
7	Old Workshop	4	10,853.548
8	Staff dormitory and canteen	3	2,819.821
9	Gasification chamber	1	11.619
10	Staff dormitory	5	2,505.201
11	Training room and new dormitory	4	2,907.389
12	Warehouse 4	4	12,218.311
13	Warehouse 6	2	5,084.300
14	Power distribution room	1	199.712
			<b>48,033.637</b>

3. Our valuation has been made on the following basis and analysis:

For the land portion of the property, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The unit price of these comparable land sites ranges from about RMB1,100 to RMB1,300 per sq.m. on site area basis for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
- Shunde Le Saunda legally holds the building ownership rights and the land use rights of the property.
  - Shunde Le Saunda is entitled to transfer, lease, mortgage or dispose of the property freely in the market.
  - The property is free from any mortgage or third parties' encumbrance.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules, were as follows:

#### *Long Positions in Shares (including underlying Shares)*

Name of Directors	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Spouse interests	Corporate interests	Other interests		
Mr. Li Wing Yeung, Peter (“ <b>Mr. Li</b> ”)	6,239,200 (Note 1)	11,000	—	55,000,000 (Note 2)	61,250,200	8.67%
Ms. Chui Kwan Ho, Jacky (“ <b>Ms. Chui</b> ”)	5,027,000	—	—	—	5,027,000	0.71%
Ms. Liao Jian Yu (“ <b>Ms. Liao</b> ”)	299,200	—	—	—	299,200 (Note 3)	0.04%
Mr. Leung Wai Ki, George (“ <b>Mr. Leung</b> ”)	—	—	—	1,700,000	1,700,000 (Note 4)	0.24%



*Notes:*

1. Mr. Li personally held 5,909,200 Shares and was entitled to 330,000 share options granted by the Company, the underlying Shares of which he was taken to have an interest.
2. Mr. Li, Ms. Lee Wing Kam Rowena Jackie and Ms. Cheung Man Ching, Teresa jointly held 55,000,000 Shares as trustees of The Lee Keung Charitable Foundation, (the “**Charitable Foundation**”) representing approximately 7.79% of the issued share capital of the Company. Therefore, all of them are deemed to be interested in these Shares which are duplicated amongst their respective interests.
3. Ms. Liao personally held 114,400 Shares and was entitled to 184,800 share options granted by the Company, the underlying Shares of which she was taken to have an interest.
4. Mr. Leung was a governor of Xin Chuan Middle School Foundation Limited, which held 1,700,000 Shares. Therefore, Mr. Leung was deemed to be interested in these Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders’ and other persons’ interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the following persons or corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

*Substantial Shareholders' Long positions in Shares*

Name of Shareholders	Number of Shares and nature of interests			Total	Approximate percentage of the issued Share capital of the Company
	Beneficial owner	Interests of controlled corporation	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee")	54,561,000	36,600,000 (Notes 1 & 2)	280,500,000 (Notes 3 & 4)	371,661,000	52.65%
Stable Gain Holdings Limited ("Stable Gain")	225,500,000 (Note 5)	—	—	225,500,000	31.94%
Stable Profit Holdings Limited ("Stable Profit")	—	225,500,000 (Note 5)	—	225,500,000	31.94%
HSBC International Trustee Limited ("HSBC Trustee")	—	—	225,500,000 (Note 5)	225,500,000	31.94%

*Notes:*

1. Succex Limited, a corporation which was controlled and wholly owned by Mr. Lee, held 33,000,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.
2. Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited, which held 3,600,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.
3. Stable Gain held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of Lee Tze Bun Family Trust (the "**LTB Family Trust**"), a discretionary trust, of which Mr. Lee was the founder (as defined in section 308 of the SFO) and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, Mr. Lee was deemed to be interested in these Shares.
4. The Charitable Foundation, of which Mr. Lee was the founder (as defined in section 308 of the SFO), held 55,000,000 Shares, representing approximately 7.79% of the issued share capital of the Company. Therefore, Mr. Lee was deemed to be interested in these Shares.
5. Stable Gain held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee was a founder (as defined in section 308 of the SFO) and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, HSBC Trustee was deemed to be interested in these Shares in its

capacity as trustee (other than a bare trustee) and Stable Profit was deemed to be interested in these Shares by virtue of the interest of its controlled corporation (being Stable Gain). The respective interests of Stable Gain, Stable Profit and HSBC Trustee were thus duplicated.

*Other Persons' Long positions in Shares*

Name of Shareholders	Note	Number of Shares and nature of interests				Approximate percentage of the issued Share capital of the Company
		Personal interests	Spouse interests	Other interests	Total	
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	1	6,985,000	—	55,000,000	61,985,000	8.78%
Ms. Cheung Man Ching Teresa ("Ms. Cheung")	2	—	2,585,000	55,000,000	57,585,000	8.15%
Ms. Lee, Mr. Li and Ms. Cheung as trustees of the Charitable Foundation	3	—	—	55,000,000	55,000,000	7.79%
Ophorst Van Marwijk Kooy Vermogensbeheer N.V. ("OVMK")	4	35,454,000	—	—	35,454,000	5.02%

*Notes:*

- Ms. Lee was interested in an aggregate of 61,985,000 Shares (comprising 6,985,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held by her, Mr. Li and Ms. Cheung as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.
- Ms. Cheung was interested in an aggregate of 57,585,000 Shares (comprising 2,585,000 Share held by her spouse as beneficial owner and 55,000,000 Shares jointly held by her, Ms. Lee and Mr. Li as trustees of the Charitable Foundation), representing approximately 8.15% of the issued share capital of the Company.
- Ms. Lee, Mr. Li and Ms. Cheung jointly held 55,000,000 Shares as trustees of the Charitable Foundation, representing approximately 7.79% of the issued share capital of the Company. Therefore, all of them were deemed to be interested in these Shares which were duplicated amongst their respective interests.
- OVMK held 35,454,000 Shares, representing approximately 5.02% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than Directors and chief executive of the Company) or corporation who had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

**3. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 29 February 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Except for the connected transactions as disclosed in the announcement of the Company dated 14 February 2020, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or his/her respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**6. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the issue of this circular, and which are or may be material:

- (a) the Relocation Compensation Agreement;
- (b) the non-binding memorandum of understanding dated 22 June 2020 entered into between Shunde Le Saunda and Beijiao Land Development Centre in relation to the possible disposal of the Property by way of surrender for relocation compensation, details of which were disclosed in the announcement of the Company dated 22 June 2020;

- (c) the purchase agreement dated 14 February 2020 entered into between 昶信貿易(天津)有限公司 (Changxin Trading (Tianjin) Limited\*) and 信蝶商業(杭州)有限公司 (Xindie Commercial (Hangzhou) Limited\*) in relation to the renewal of the sale and purchase of products, details of which were disclosed in the announcement of the Company dated 14 February 2020;
- (d) the property transfer agreement dated 13 August 2019 entered into between 佛山市高明區盈信達鞋業有限公司 (Foshan Gaoming Maier Limited\*) and 佛山市南海區西樵恒勝精細包裝廠 (Foshan Nanhai Xiqiao Hengsheng Fine Packing Factory\*) in relation to the disposal of the parcel of land located at No. 87, Gaofu First Road, Hecheng Sub-district, Gaoming District, Foshan, the PRC\* (中國佛山市高明區荷城街道高富一路87號) and the industrial buildings erected thereon, details of which were disclosed in the announcement of the Company dated 13 August 2019; and
- (e) the purchase agreement dated 25 February 2019 entered into between 昶信貿易(天津)有限公司 (Changxin Trading (Tianjin) Limited\*) and 信蝶商業(杭州)有限公司 (Xindie Commercial (Hangzhou) Limited\*) in relation to the renewal of the sale and purchase of products, details of which were disclosed in the announcement of the Company dated 25 February 2019.

## 7. LITIGATION

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

## 8. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinion and advice for inclusion in this circular:

Name	Qualifications
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional property valuer
Schinders Law (廣東實德律師事務所)	Legal adviser to the Company as to PRC law

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of extracts of its report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts was interested beneficially or otherwise in any shares or securities in any member of the Group nor did any of the above experts have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either direct or indirect, in any assets which have been, since 29 February 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **9. MISCELLANEOUS**

- (a) The secretary of the Company is Mr. Yuen Chee Wing. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The principal place of business of the Company is Suites 1104-1106, 11th Floor, 1063 King's Road, Quarry Bay, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from at the principal place of business of the Company in Hong Kong at Suites 1104-1106, 11th Floor, 1063 King's Road, Quarry Bay, Hong Kong, for 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;

- (b) the published annual reports of the Company for each of the three financial years ended 28 February 2018, 28 February 2019 and 29 February 2020;
- (c) the published interim report of the Company for the six months ended 31 August 2020;
- (d) the valuation report issued by Jones Lang LaSalle, the text of which is set out in Appendix II of this circular;
- (e) the PRC legal opinion issued by Schinders Law (廣東實德律師事務所);
- (f) the written consents referred to in the section headed “Experts’ Qualifications and Consents” in this appendix;
- (g) the material contracts referred to in the section headed “Material contracts” in this appendix; and
- (h) this circular.