24 June 2017

To the Independent Board Committee, the Independent Shareholders

Dear Sirs,

(1) PROPOSAL FOR THE PRIVATISATION OF BELLE INTERNATIONAL HOLDINGS LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW

(2) PROPOSED WITHDRAWAL OF LISTING OF BELLE INTERNATIONAL HOLDINGS LIMITED

(3) SPECIAL DEAL RELATING TO MANAGEMENT PARTICIPATION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Proposal and the Management Participation. Details of the Proposal and Management Participation are set out in the Scheme Document. The Management Participation constitutes a special deal under Rule 25 of the Takeovers Code. Expressions used in this letter have the same meanings as defined in the Scheme Document, unless the context requires otherwise.

On 28 April 2017, the Offeror and the Company jointly announced that the proposed privatisation of the Company by way of a scheme of arrangement. If the Proposal is approved, the holders of the Scheme Shares will receive HK$6.30 in cash per Scheme Share and the listing of the Shares on the Stock Exchange will be withdrawn. As at the Latest Practicable Date, the Disinterested Shareholders held an aggregate of 7,192,239,398 Shares, representing approximately 85.27% of the entire issued share capital of the Company.

Also on 28 April 2017, the Consortium Agreement and Rollover Agreement were signed which enable Mr. Yu Wu and Mr. Sheng Fang, and Participating Management Shareholders to indirectly retain their respective interests in the Company.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ho Kwok Wah, George, Mr. Chan Yu Ling, Abraham, Dr. Xue Quizhi and Mr. Gao Yu, has been established to advise the Independent Shareholders in connection with the Proposal and the Management Participation. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has approved the appointment of Anglo Chinese Corporate Finance, Limited as the Independent Financial Adviser to the Independent Board Committee in this regard.

In formulating our recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Company. We have also assumed that the information and representations contained or referred to in the Scheme Document were true and accurate at the time they were made and continued to be so at the Latest Practicable Date. We have reviewed the published information on the Company and the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. The Company will notify the Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Independent Shareholders will also be notified of any material changes to such information provided and our opinion as soon as practicable throughout the offer period (as defined under the Takeovers Code). We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Scheme Document and to provide a reasonable basis for our opinion and advice. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have not, however, conducted an independent investigation into the business and affairs of the Group or the Offeror or the associates of either of them, nor have we carried out any independent verification of the information supplied.

We have also not considered the tax, regulatory and other legal implications on the Independent Shareholders, in respect of the Proposal, since these depend on their individual circumstances. In particular, the Independent Shareholders, who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL AND MANAGEMENT PARTICIPATION

The Scheme

Under the Proposal put forward to the Scheme Shareholders, if approved and implemented, the Scheme will result in the Company being privatised and the Shares withdrawn from listing on the Stock Exchange. If effected, under the Scheme (i) each Scheme Share held by the Disinterested Shareholders will be cancelled in exchange for the Cancellation Consideration Price; (ii) the Scheme Shares held by the WMVL Shareholders will be cancelled in consideration for the WMVL Cancellation Consideration; and (iii) the New Shares will be issued as fully paid or credited as fully paid to the Offeror.

For each Scheme Share .... HK$6.30 in cash

The Offeror has stated that it will not increase the Cancellation Consideration Price and does not reserve the right to increase the Cancellation Consideration Price.

The Irrevocable Undertakings

Mr. Yu Wu and Mr. Sheng Fang are members of the Joint Offerors and executive Directors. Each, together with SSL and SBL which are companies controlled by each of them, have given irrevocable undertakings to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Scheme. SSL and SBL hold approximately 2.20% and 0.46% of the issued share capital of the Company respectively.

Mr. Tang Yiu, the Chairman and non-executive Director; Mr. Tang Wai Lam, a non-executive Director; and Mr. Sheng Baijiao, an executive Director and CEO of the Company have each given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Scheme. Mr. Tang Yiu and Mr. Tang Wai Lam hold their interests through MCIL, which holds approximately 20.76% of the total issued share capital of the Company. Mr. Sheng Baijiao holds his interests through SCGL and BRVL, which holds approximately 0.89% and 4.09% of the total issued share capital of the Company, respectively.

The Consortium Agreement

Mr. Yu Wu, Mr. Sheng Fang, WMVL, HHCDR GP, Hillhouse HHBH, Hillhouse HHBG, CDH V Holdings Company Limited (the general partner of CDH Fund V) and SCBL entered into an agreement whereby they have jointly agreed that (a) all material decision will be made by the key sponsors of this group; (b) Mr. Yu Wu and Mr. Sheng Fang undertake and agree to the cancellation of their Shares under the Scheme for the WMVL Cancellation Consideration; and (c) the equity ownership of Topco shall be determined by reference to the value of the proportional contribution of the WMVL Shareholders, the Participating Management Shareholders and the Equity Investors Group.

The Rollover Agreement

The Participating Management Shareholders hold directly and indirectly 1,017,341,192 Shares in aggregate, representing approximately 12.06% of the total issued share capital of the Company. Under the Rollover Agreement, these Rollover Shares will be transferred to the Offeror in consideration for the same number of shares in WMVL. The Participating Management Shareholders include members of the senior management which currently oversee the operations of the Group. The Rollover Agreement is subject to the Scheme becoming effective, among other things.

For further details of the Scheme, Irrevocable Undertakings, Consortium Agreement and Rollover Agreement, please refer to the "Letter from the Board" and the "Explanatory Memorandum" which form part of the Scheme Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

Reasons and benefits of the Proposal

The Group engages in the business of manufacturing, distribution and retailing of footwear, and the sales of sportswear and apparel. Over the last three financial years, revenues of the Group's owned brands and licenced brands of footwear have declined each year. In the Company's listing prospectus, its keys to success and strengths were (i) extensive directly control and managed nationwide retail network in China; (ii) successful multi-brand strategy in the PRC footwear industry; (iii) market-oriented and responsive supply chain; (iv) overall centralised control complemented by localised management across the Company's retail sales regions; (v) experienced management team and performance-based incentive program; and (vi) economies of scale. Many of these strengths relate to the retail distribution of footwear through the department store channel. However, e-commerce platforms have been gaining market share with attractive pricing, large selection of products and convenience to the consumer. The Company believes that there has been a significant reduction in foot traffic in department stores as a result of competition from both e-commerce and other retail channels such as shopping malls. Hence, with its dependence on department stores for retail distribution, the Group's footwear business has deteriorated materially. The Company believes that a fundamental transformation is necessary to maintain its market position in the Chinese ladies footwear market. Although the Company has explored a variety of initiatives to adapt to the shifting market dynamics, substantive positive impact has been rather limited.

The Executive Management Group and the Equity Investors Group plan to invest capital and resources to develop new retail models and pursue a series of transformative and innovative initiatives. The Equity Investors Group are comprised of large investment institutions with resources and experience to help the Company with its transformation into new distribution models. Hillhouse Capital has the experience in investing and operating in the consumer and the technology, media and telecom sectors, among others. Its investments include many leading PRC internet companies and e-commerce platforms including Baidu, Tencent, JD.com, Airbnb and GrabTaxi. If the Proposal is approved and the Scheme becomes effective, the Equity Investors Group will hold approximately 68.87% of the Company, in aggregate, and as the controlling shareholder group will be fully motivated to the long-term growth of the business.

Financial performance of the Company

For the year ended 28 February 2017, the footwear business of the Group experienced a further decline in sales to approximately RMB18,960.0 million with sales from the sportswear and apparel business becoming the larger business segment, reporting approximately RMB22,746.5 million in sales. In other words, for the period, footwear contribution to total sales was approximately 45.46% falling from 51.66% in the previous year. However, segment results from the footwear business still remain the major contributor at approximately RMB2,979.3 million, representing approximately 61.71% of the total results from reportable segments. Total gross margins fell to approximately 54.32% from 56.28%, reflecting the lower margins from the sportswear and apparel business which is in the form of retail distribution compared to the higher margin footwear business consisting of Company-owned brands with a vertically integrated business model, as well as licensed and distribution brands.

Overall, total revenues for the year ended 28 February 2017 were approximately RMB 41,706.5 million, representing an increase of approximately 2.25% from the previous financial year. Operating profit and profit for the year were approximately RMB3,555.2 million and RMB2,416.0 million, respectively, representing a decrease of approximately 15.38% and 17.97%. For the second financial year in a row, an impairment charge was made against the Group's intangible assets. Such intangible assets mainly relate to goodwill and other intangible assets from the previous acquisitions of Mirabell and Senda, which are footwear brands of the Group. Further, a non-recurring gain was recorded for the gain on partial disposal and dilution of interest in Baroque Japan Limited, an associated company of the Group, due to its listing on the Tokyo Stock Exchange in November 2016.

The following are the financial results of the Group for the last three financial years.

	For the year ended		
	28 February 2015	**29 February 2016**	**28 February 2017**
	RMB million (audited)	*RMB million (audited)*	*RMB million (audited)*
Revenue (total)	40,008.1	40,790.2	41,706.5
Shoes and footwear products	23,037.0	21,074.2	18,960.0
Sportswear and apparel products	16,971.1	19,716.0	22,746.5
Segment results (total)	6,300.6	5,686.3	4,827.9
Shoes and footwear products	5,087.8	3,943.9	2,979.3
Sportswear and apparel products	1,212.8	1,742.4	1,848.6
Operating Profit	6,193.7	4,201.5	3,555.2
Profit before tax	6,601.4	4,541.2	4,012.9
Profit for the year	4,750.8	2,945.1	2,416.0
Profit attributable to equity holders of the Company	4,763.9	2,934.1	2,403.4

Sources: the annual reports of the Company

	As at		
	28 February 2015	**29 February 2016**	**28 February 2017**
	RMB million (audited)	*RMB million (audited)*	*RMB million (audited)*
Non-current assets	11,802.6	10,708.3	9,802.3
Current assets	20,733.9	20,346.5	21,943.3
Total assets	32,536.5	31,054.8	31,745.6
Non-current liabilities	251.9	173.4	84.7
Current liabilities	7,162.5	5,595.4	5,037.3
Total liabilities	7,414.4	5,768.8	5,122.0
Net current assets	13,571.4	14,751.1	16,906.0
Total equity	25,122.1	25,286.0	26,623.6
Net asset value (NAV) per share attributable to equity holders of the Company (RMB/Share)	2.96	2.97	3.14

Sources: the annual reports and announcements of annual results of the Company

Share price and trading volume

The closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day was HK$5.2700. The Cancellation Consideration Price of HK$6.30 per Share represents:

(i) a premium of approximately 19.54% over the closing price of HK$5.2700 per Share as quoted on the Stock Exchange on 13 April 2017, being the Last Trading Day;

(ii) a premium of approximately 3.79% over the closing price of HK$6.0700 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a premium of approximately 23.34% over the average closing price of approximately HK$5.1080 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including Last Trading Day;

(iv) a premium of approximately 23.60% over the average closing price of approximately HK$5.0970 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day;

(v) a premium of approximately 21.47% over the average closing price of approximately HK$5.1863 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including Last Trading Day;

(vi) a premium of approximately 28.38% over the average closing price of approximately HK$4.9073 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including Last Trading Day;

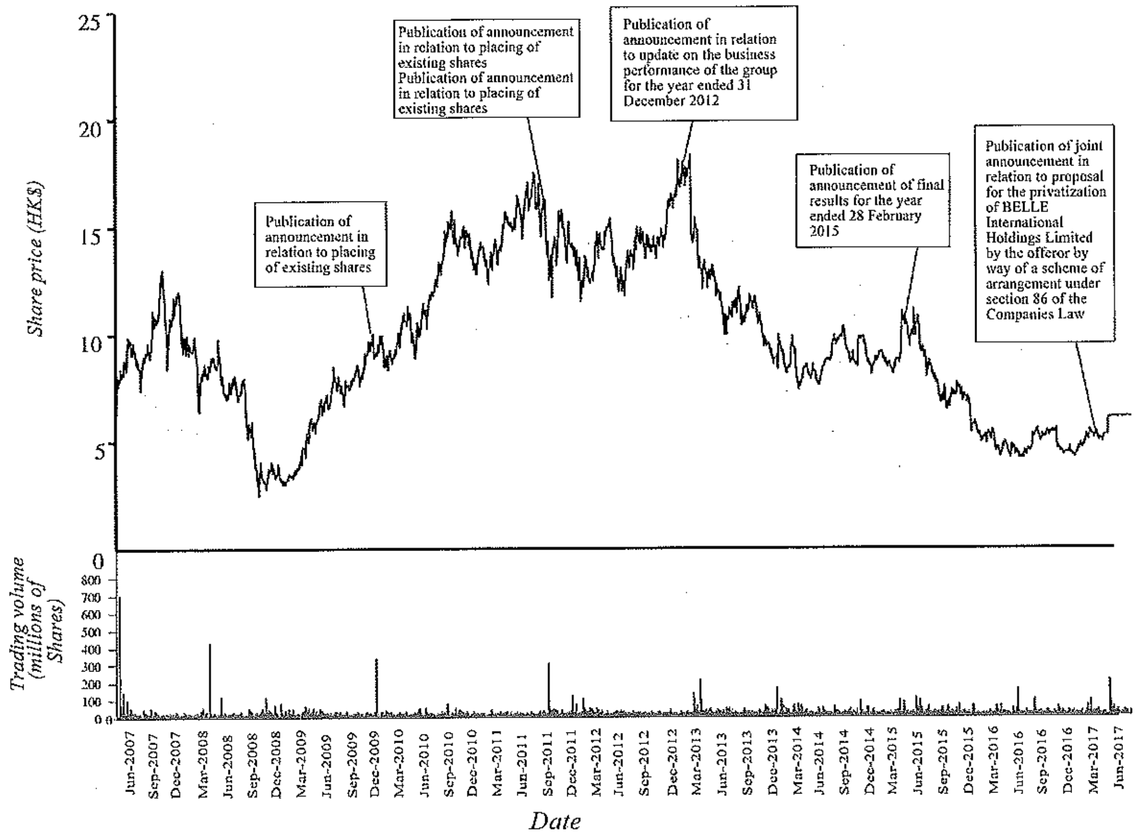
(vii) a premium of approximately 75.46% over the audited consolidated net asset value of the Group attributable to equity holders of approximately RMB3.1389 per Share as at 28 February 2017 (equivalent to approximately HK$3.5905) (based on the audited consolidated net asset value of the Group attributable to equity holders as at 28 February 2017 as disclosed in the annual report of the Company for the year ended 28 February 2017, the number of issued Shares as at the Latest Practicable Date and the RMB to HK$ exchange rate of RMB0.87422 to HK$1, being the exchange rate as quoted by the People's Bank of China as at the Latest Practicable Date); and

(viii) a premium of approximately 69.59% over the adjusted unaudited consolidated net asset value of the Group attributable to equity holders of approximately RMB3.2475 per Share as at 30 April 2017 (equivalent to approximately HK$3.7148) (based on the audited consolidated net asset value of the Group attributable to equity holders as at 28 February 2017 as disclosed in the annual report of the Company for the year ended 28 February 2017, adjusted for the valuation report on the properties of the Group dated 30 April 2017 and the expected tax payable upon sale, the number of issued Shares as at the Latest Practicable Date and the RMB to HK$ exchange rate of RMB0.87422 to HK$1, being the exchange rate as quoted by the People's Bank of China as at the Latest Practicable Date)[1].

The Cancellation Consideration Price is subject to adjustment if the final dividend amount to be declared by the Company for the year ended 28 February 2017 exceeds RMB0.06. On 15 May 2017, the Company announced that the Board recommended a final dividend of RMB0.06 and hence no adjustment to the Cancellation Consideration Price need be made.

1 According the property valuation report by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") as set out in Appendix II of the Scheme Document, certain portions of the properties of the Group were given no commercial value due to reasons, including various deficiencies in the land title registration. JLL has provided a depreciated replacement cost/capital value for these portions of the properties on the assumption that the title certificates have been obtained and these portions of properties are freely transferable. The adjusted unaudited consolidated net asset value of the Group includes the aggregate depreciated replacement cost/capital value of these portions of properties. The aggregate depreciated replacement cost/capital value of these portions of properties amounts to RMB965,960,000, representing approximately 14.35% of the value of all the properties of the Group.

The following is a chart of the trading prices and trading volume of the Shares since listing in 2007.



Source: Bloomberg

The daily closing price of the Shares reached its peak of HK$18.36 in early 2013, prior to the announcement of the financial results for the year ended 31 December 2012. Since then, slowing growth and falling margins, among other things, have been reflected in the declining share price.

Cancellation consideration analysis

(i) *Comparable company analysis*

We have looked at Hong Kong listed companies which are comparable to the Company, focusing our analysis on the price-to-earnings ratio ("**PE ratio**"), enterprise value to earnings before interest, tax, depreciation and amortisation ratio ("**EV/EBITDA ratio**") and other metrics as shown in the table below.

As illustrated in the section headed "Financial performance of the Company" above, the Group derived its revenue from two main business segments in the PRC, which were the footwear segment and sportswear and apparel segment, for the past three financial years. Having considered the financial performance and position of the Group, the companies we have identified below, in which their shares are listed on the Stock Exchange, engage primarily in these same two segments in the PRC. We have reviewed the list to assess if each company is reasonably comparable to the Group. Companies with market capitalisation of less than HK$1 billion as at the date of the Joint Announcement, have been filtered out, with no other companies being excluded except as mentioned below. The market capitalisation of the Company as at the date of the Joint Announcement was approximately HK$53.1 billion based on 8,434,233,000 Shares in issue as at the date of the Joint Announcement and the Cancellation Consideration Price of HK$6.30. Based on the above criteria, the below seven comparable companies represent a comprehensive and exhaustive list providing a fair and representative benchmark for assessing the Cancellation Consideration Price. C.banner International Holdings Limited ("**C.banner**") was excluded from this list as in addition to its footwear business, C.banner also manufactures and distributes toys. It announced its expansion into the toy business in October 2015 by an acquisition. Prior to the expansion into the toy business, C.banner had trading in the range of 16 to 18 times earnings compared to approximately 26.50 times at which it currently trades. Shareholders should note that the business, operation and prospect of the Company are not exactly the same as the companies we have selected, and we have not conducted any in-depth investigation into business and operations of the selected companies save for the aforesaid selection criteria. Nevertheless, the companies selected below can still be a meaningful reference in assessing the fairness and reasonableness of the Cancellation Consideration Price.

Ticker	Company Name	Price per share as at the Latest Practicable Date (HK$)	Market Capitalisation as at the Latest Practicable Date (HK$ million)	PE ratio *(note 3)* *(times)*	EV/EBITDA ratio *(note 4)* *(times)*	PB ratio *(note 5)* *(times)*
210.HK	Daphne International Holdings Limited	0.81	1,335.8	N/A	N/A	0.40
738.HK	Le Saunda Holdings Limited	1.68	1,185.9	13.83	2.40	0.79
1361.HK	361 Degrees International Limited	2.77	5,727.3	12.43	2.49	0.94
1368.HK	Xtep International Holdings Limited	2.94	6,527.3	10.81	3.92	1.15
2020.HK	ANTA Sports Products Limited	23.80	63,864.9	23.40	14.52	5.85
2331.HK	Li Ning Company Limited	6.00	13,046.3	17.73	14.62	2.86
3813.HK	Pou Sheng International (Holdings) Limited	1.37	7,313.0	11.40	6.46	1.05
			Maximum	23.40	14.62	5.85
			Minimum	10.81	2.40	0.40
			Average	14.93	7.40	2.11
			Median	13.13	5.19	1.05
1880.HK	Belle International Holdings Limited — based on the Last Trading Day *(note 1)*	5.27	44,448.4	15.49	6.53	1.47
	Belle International Holdings Limited — based on the Proposal *(note 2)*	6.30	53,135.7	19.33	7.71	1.75

Sources: Bloomberg, the annual reports and announcements of annual results of relevant companies, and the website of the Stock Exchange

Notes:

1. As of the Last Trading Day, the preliminary annual results of the Company for the year ended 28 February 2017 had not been announced. Hence, the PE ratio, EV/EBITDA ratio and PB ratio has been based on the last twelve months financial information available at that time.

2. The Cancellation Consideration Price was used to determine the price per share, market capitalisation, PE ratio, EV/EBITDA ratio and PB ratio.

3. The PE ratios of the comparable companies were calculated based on the market capitalisation on the Latest Practicable Date, divided by the last twelve months earnings of the relevant companies on the Latest Practicable Date.

4. The EV/EBITDA ratios of the comparable companies were calculated based on the market capitalisation on the Latest Practicable Date plus total borrowings, minority interest and preference shares, minus total cash and cash equivalents, divided by earnings before interest, tax, depreciation and amortisation.

5. The PB ratios of the comparable companies were calculated based on the market capitalisation on the Latest Practicable Date, divided by its total book value attributable to equity holders of the relevant companies.

6. The amounts denominated in RMB in the annual reports of the comparable companies have been converted into HK$ at the exchange rate of RMB0.87422 to HK$1, being the exchange rate as quoted by the People's Bank of China as at the Latest Practicable Date.

The Cancellation Consideration Price represents around 19.33 times the profit attributable to equity holders of the Company for the year ended 28 February 2017. This earnings multiple compares favourably to the median multiples of the comparables, being some 13.13 times. The average earnings multiple of the comparables is around 14.93 times.

Similarly, the EV/EBITDA ratio represented by the Cancellation Consideration Price is around 7.71 times compares slightly favourable to the median and average of the comparables of around 5.19 and 7.40 times, respectively.

The price-to-book ratio ("**PB ratio**") is not normally good indicator of value for companies operating in the branded retail sector, hence we have not given much consideration to this multiple. That said, we do note that the Cancellation Consideration Price represents approximately 1.75 times the net assets of the Company as at 28 February 2017.

(ii) *Comparable transaction analysis*

The table below sets out recent privatisation proposals in Hong Kong. The list consists of all privatisations by scheme of arrangement in Hong Kong over the prior five years[2] and includes companies across all industries and market capitalisation sizes. The list is exhaustive and is a fair representation of transactions comparable to the Proposal. The median premium to the last trading date, last 30 days and the reported net asset value of the recent transactions is approximately 32.38%, 45.05%, and 101.46%, respectively, for those companies which were successfully privatised. For the companies which were not successfully privatised, the median premiums were approximately 28.44%, 44.44%, and a discount of approximately 12.87%. The premium represented by the Cancellation Consideration Price is approximately 19.54%, 21.47%, and 75.46%, and on the face of it does not compare favourably to the medians of successful privatisations. However, it should be noted that the premiums to trading price for successful and unsuccessful privatisations is actually very similar. We believe this illustrates that the merits of a privatisation proposal are not solely based on the premium to market, but also take into consideration the specifics of each individual company. The companies which were not successfully privatised were mostly asset based businesses, which the discount to net asset value seems to have been a significant detracting factor.

2 A five-years period was chosen, which represented a fair sample size while reflecting current market conditions.

Ticker	Company Name	Industry	Market Capitalisation at offer/cancellation price *(HK$ million)*	Date of initial announcement	Offer/ cancel-lation price per share *(HK$)*	Premium/ discount to Last Trading Date	Premium/ discount to last 30 days	Premium/ discount to reported NAV	Privatised	Offeror and concert parties' shareholding % owned before	% owned after
963.HK	Bloomage BioTechnology Corporation Limited	Medical	5,946.75	19 June 2017	$16.30	13.99%	24.43%	233.33%	TBD	50.36%	TBD
319.HK	China Metal International Holdings Inc.	Materials	3,002.07	29 May 2017	$3.01	27.54%	25.94%	27.54%	TBD	59.87%	TBD
1136.HK	TCC International Holdings Limited	Materials	13,291.83	20 April 2017	$3.60	38.50%	51.00%	-4.10%	TBD	65.32%	TBD
98.HK	Xingfa Aluminium Holdings Limited	Materials	1,546.60	22 September 2016	$3.70	24.58%	35.17%	-18.04%	No	72.56%	72.56%
1833.HK	Intime Retail (Group) Company Limited	Retail	27,221.86	10 January 2017	$10.00	42.25%	51.77%	60.86%	Yes	45.70%	98.45%
3668.HK	Chinalco Mining Corporation International	Mining	16,426.72	23 September 2016	$1.39	32.40%	33.70%	239.00%	Yes	85.75%	100.00%
1438.HK	Nirvana Asia Ltd	Funeral	8,097.91	8 July 2016	$3.00	22.40%	36.40%	215.79%	Yes	42.69%	100.00%
1768.HK	Bracell Limited	Chemical	7,800.84	17 June 2016	$2.28	44.30%	132.00%	-14.80%	Yes	83.69%	100.00%
2618.HK	TCL Communication Technology Holdings Limited	Information Technology	9,589.81	12 June 2016	$7.50	34.65%	47.06%	135.11%	Yes	69.04%	100.00%
477.HK	Aupu Group Holding Company Limited	Manufacturing	2,837.99	29 May 2016	$2.71	24.90%	29.70%	292.80%	Yes	55.53%	100.00%
3386.HK	Dongpeng Holdings Company Limited	Manufacturing	5,680.99	4 February 2016	$4.48	31.76%	46.89%	67.80%	Yes	73.81%	100.00%
1390.HK	econtext Asia Limited	Information Technology	2,121.69	26 February 2015	$4.09	41.00%	59.90%	37.25%	Yes	58.70%	100.00%
1997.HK	Regent Manner International Holdings Limited	Technology	3,869.58	8 May 2014	$1.80	32.35%	37.51%	19.13%	Yes	74.86%	100.00%

Ticker	Company Name	Industry	Market Capitalisation at offer/cancellation price *(HK$ million)*	Date of initial announcement	Offer/ cancel-lation price per share *(HK$)*	Premium/ discount to Last Trading Date	Premium/ discount to last 30 days	Premium/ discount to reported NAV	Privatised	Offeror and concert parties' shareholding: % owned before	Offeror and concert parties' shareholding: % owned after
917.HK	New World China Land Limited	Property	59,028.30	13 March 2014	$6.80	32.30%	53.70%	1.80%	No	72.05%	72.05%
1633.HK	Magic Holdings International Limited	Consumer retail	6,538.72	2 August 2013	$6.30	24.80%	25.70%	272.78%	Yes	0.01%	100.00%
845.HK	Glorious Property Holdings Limited	Property	14,026.76	21 November 2013	$1.80	45.20%	56.50%	-39.00%	No	68.19%	68.19%
893.HK	China Vanadium Titano-Magnetite Mining Company Limited	Mining	4,004.75	5 November 2012	$1.93	16.00%	17.00%	-7.70%	No	49.33%	49.33%
535.HK	Frasers Property (China) Limited	Property	1,917.83	8 May 2012	$0.28	47.40%	62.80%	-19.30%	No	73.96%	73.96%
1135.HK	Asia Satellite Telecommunications Holdings Limited	Telecom	9,193.09	2 April 2012	$23.50	23.70%	29.10%	37.70%	No	74.70%	74.70%
1688.HK	Alibaba.com Limited	Services	67,568.47	21 February 2012	$13.50	45.90%	58.80%	638.85%	Yes	73.41%	100.00%
3938.HK	Samling Global Limited	Resources	3,263.81	30 January 2012	$0.76	5.60%	43.20%	-30.25%	Yes	60.84%	100.00%
					Average	31.02%	45.63%	102.22%			
					Median	32.30%	43.20%	37.25%			
					Average for successful privatisation	31.86%	50.22%	161.19%			
					Median for successful privatisation	32.38%	45.05%	101.46%			
					Average for unsuccessful privatisation	31.53%	42.38%	-7.42%			
					Median for unsuccessful privatisation	28.44%	44.44%	-12.87%			
1880.HK	Belle International Holdings Limited	Footwear	53,135.67	28 April 2017	$6.30	19.54%	21.47%	75.46%	TBD	2.66%	TBD

Additionally, strong consideration must be given to the fact that the Equity Investors Group will become the controlling Shareholder if the Proposal is successful, holding approximately 68.87%. The Equity Investor Group is an outside party to Mr. Tang Yiu, who is the founder of the Group, and Mr. Tang Wai Lam, who is a Director and cousin to Mr. Tang Yiu. Together, Mr. Tang Yiu and Mr. Tang Wai Lam are the current existing largest Shareholder group. All the privatisation proposals listed in the table, except for one, were proposals offered by the existing controlling shareholder of the company. This is the usual case. Such proposals may have issues or perceptions that the controlling shareholder may be making the offer at an opportunistic time and hence an attractive premium is expected to entice the independent shareholders. Mr. Tang Yiu and Mr. Tang Wai Lam, among many of the Directors which are Shareholders, have given irrevocable undertakings to vote in favour of the Proposal by the Offeror. Mr. Tang Yiu and Mr. Tang Wai Lam are not connected to the Offeror, nor have been otherwise incentivised to approve the Proposal, other than the terms of the Proposal as presented to all the Disinterested Shareholders. Hence, we believe their irrevocable undertakings can be taken as their view that the Cancellation Consideration Price is commercial and fair. The privatisation proposal in the list that was not made by its existing controlling shareholder, was for Magic Holdings International Limited, which was approved and privatised. The premiums to trading prices for that offer are not dissimilar to the premiums for the Cancellation Consideration Price.

Finally, we do not put significant weight to the premium to net asset value represented by the Cancellation Consideration Price given the nature of the business of the Group as a retailer of branded goods.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE MANAGEMENT PARTICIPATION

Reasons and benefits of the Management Participation

Under the Consortium Agreement, Mr. Yu Wu and Mr. Sheng Fang have agreed, among other things, to the cancellation of their approximately 2.20% and 0.46% respective interests in the Shares under the Scheme in consideration for the WMVL Cancellation Consideration. This will enable them to retain their interests in the Company indirectly through WMVL if the Proposal is approved and effected. Both Mr. Yu Wu and Mr. Sheng Fang are executive Directors and have been with the Group for over 11 years. Both are also members of the Joint Offerors which are proposing the privatisation and transformation of the Group. Hence, as Joint Offerors they support the proposed vision for the Group under a successful privatisation and wish to participate financially if the transformation is successful in the long term. With their experience and knowledge of the Group's business, they are in a position to help the Equity Investors Group work towards a successful transformation.

The Participating Management Shareholders include the Other Management Members which comprise of senior management of the Group that are responsible for the day-to-day operations of the Group and entities which hold Shares pursuant to the share award scheme of the Company. The Participating Senior Management hold approximately 12.06% of the issued share capital of the Company, in aggregate. The Other Management Members' experience and knowledge of the Group and of the footwear and apparel industry is important to the continued operation and development of the Group's business. Hence, subject to the approval of the Proposal, through the Rollover Agreement the

Participating Management Shareholders will be allowed to roll over their interests in the Shares for shares in WMVL. This roll over of interests maintains the senior management's interest in the Company and will also keep in place the long-term incentives to the senior management, following the privatisation of the Company.

These arrangements under the Consortium Agreement and the Rollover Agreement are a special deal under Rule 25 of the Takeovers Code and requires the approval of the Independent Shareholders. The Management Participation imparts no additional benefits other than the continuation of Mr. Yu Wu, Mr. Sheng Fang and the Other Management Members of their current interests, indirectly through WMVL. Hence, we believe it is in the interests of the Company and the success of the long-term vision for the Company that the Management Participation be approved.

Condition of the Proposal

The Scheme is conditional upon, among other things, the passing of an ordinary resolution by the Independent Shareholders at the Extraordinary General Meeting to approve the Management Participation, and consent for the Management Participation, which represents a special deal under Rule 25 of the Takeovers Code, be given by the Executive of the SFC. Hence, for the Scheme to be effected and the Proposal to proceed, the Management Participation must be approved.

OPINION AND RECOMMENDATION

In relation to the Proposal, having considered the principal factors and reasons, and in particular the following:—

(a) The footwear business of the Group has been declining due to a consumer shift away from department store shopping and changing preferences toward athletic footwear rather than ladies fashion shoes in the PRC. Revenues for the footwear business have fallen although the lower margin business of sportswear and apparel has seen some growth. However, the net effect has resulted in lower overall gross margins and profit margins, with more dependence on third party sportswear and apparel brands instead of the Company's own footwear brands.

(b) A key strength of the Group is its retail network of department store locations, according to the listing prospectus. Facing a structural decline of the department store channel, the Company believes a fundamental transformation is needed to adapt to the changing retail environment in the PRC. The Company and its management do not have the experience or expertise to develop e-commerce and new retail models for the Group. If the Proposal is not approved, the transformation in the retail model of the Company may not take place.

(c) The Equity Investors Group has the experience and expertise to lead the Group's transformation in e-commerce and new retail models. Such a transformation is expected to require significant investments in technology, infrastructure and talent, and is expected to have a significant impact on the financial performance of the Group in the short-term. Also, there are certain risks involved in the transformation which may or may not succeed in revitalising the business in the long-term.

(d) The premiums to trading prices represented by the Cancellation Consideration Price are less than that of proposed privatisations in the recent past, however such privatisations may not be closely comparable as they were proposed by their respective controlling shareholders. The recent privatisation which was proposed by a party which was not the controlling shareholder, has pricing premiums to trading price which were similar to the Proposal, and it was successfully approved.

(e) The Cancellation Consideration represents a PE ratio and EV/EBITDA ratio of around 19.33 times and 7.71 times, respectively. These multiples are higher than that of comparable companies listed in Hong Kong. Prior to the announcement of the Proposal, the Shares traded at PE ratio and EV/EBITDA ratio of around 15.49 and 6.53 times. If the Proposal is not approved, trading in the future may resume at these lower multiples or potentially lower if margins continue to fall.

(f) The Cancellation Consideration Price of HK$6.30 is above the listing price of the Shares, and represents an approximate return on investment of approximately 40.90% (including all dividends paid or recommended) for Shareholders who have held Shares since the listing in 2007. If the Proposal is not approved, the trading price is expected to fall back to the levels prior the announcement.

(g) The Offeror has stated that it will not increase the Cancellation Consideration Price, and hence no increase will be permitted under the Takeovers Code.

(h) If the Proposal is not approved, Shareholders should not expect another proposal to privatise in the future. Unlike privatisation proposals from an existing controlling shareholder which may revisit a privatisation in the future, the Equity Investor Group, which is driving the Proposal, does not currently hold any Shares and will not have any interests in the Company if the Proposal is not approved and effected.

(i) Mr. Tang Yiu and Mr. Tang Wai Lam are the existing largest Shareholder group, holding interests of approximately 20.76% of the issued share capital of the Company through their joint interests in MCIL (with Mr. Tang Wai Lam holding an additional 0.02%). They, together with Mr. Sheng Baijiao, and companies they respectively control, have given irrevocable undertakings in favour of the Proposal and their interests will be cancelled in consideration of the Cancellation Consideration Price per Share, if the Proposal is approved and effected. All of them are Directors and Mr. Tang Yiu is the Chairman and founder of the Group. We consider that their support of the Proposal indicates that they believe the Cancellation Consideration Price is fair and reasonable. Further, all of them are Disinterested Shareholders and as such their interests align with the other Disinterested Shareholders.

In relation to the Management Participation, having considered the principal factors and reasons, and in particular the following:—

(a) The Consortium Agreement and the Rollover Agreement do not give Mr. Yu Wu, Mr. Sheng Fang or the Other Management Members entitlements to interests in the Company which they do not already currently hold.

(b) The fundamental transformation of the Company for its long-term benefit is a movement away from the dependence of a core strength of the Group, which is its retail network of department stores. Such transformation may impact the financial performance of the Group in the short-term and may or may not be successful. As management of the Group, Mr. Yu Wu, Mr. Sheng Fang and the Other Management Members are key to managing the risks associated with the proposed transformation and can take a long-term view.

(c) The Proposal is conditional on the approval of the Management Participation. Hence, if the Management Participation is not approved, the Proposal will not proceed.

Given the above, we consider the terms of the Proposal and the Management Participation to be fair and reasonable so far as the Disinterested Shareholders and the Independent Shareholders (as the case may be), are concerned. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders and the Independent Shareholders, respectively, to approve the Proposal and the Management Participation.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited

Stuart Wong
Director

Mr. Stuart Wong is a licensed person registered with the SFC and as a responsible officer of Anglo Chinese Corporate Finance, Limited, to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has 16 years of experience in corporate finance.