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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 a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Yin International Holdings Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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HUA YIN INTERNATIONAL HOLDINGS LIMITED

華音國際控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 989)

(1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE; (2) APPLICATION FOR WHITEWASH WAIVER; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 25 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 60 of this circular.

A notice convening the SGM to be held at 24/F, Office Plus @ Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Tuesday, 16 July 2024 at 3:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you intend to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions stated thereon and return it to the Company's share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish. In such event, the form of proxy shall be deemed to be revoked.

Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.

29 June 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“2021 Convertible Bonds”	the 2% coupon convertible bonds in the aggregate principal amount of HK\$103,076,730 issued by the Company to Ka Yik on 14 December 2021, which will mature on 14 December 2024. Upon exercising the conversion rights under the 2021 Convertible Bonds in full at the initial conversion price of HK\$0.39 per conversion share, a total of 264,299,307 conversion shares will be issued to Ka Yik
“2023 Convertible Bonds”	the 6% coupon convertible bonds in the aggregate principal amount of HK\$60 million issued by the Company to six independent third parties on 23 June 2023, which will mature on 22 June 2026. Upon exercising the conversion rights under the 2023 Convertible Bonds in full at the initial conversion price of HK\$0.445 per conversion share, a total of 134,831,460 conversion shares will be issued to the bondholders
“2023 Annual Results”	the annual results of the Group for the year ended 31 March 2024
“2023 Interim Report”	the interim report of the Group for the six months ended 30 September 2023
“acting in concert”	shall have the meaning ascribed to it under the Takeovers Code
“Announcement”	the Company’s announcement dated 14 May 2024 in relation to the Loan Capitalisation Agreement and the transactions contemplated thereunder including the Specific Mandate and Whitewash Waiver pursuant to Rule 3.5 of the Takeovers Code
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks are generally open for business in Hong Kong, except a Saturday, a Sunday, a public holiday, and a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at 12:00 noon
“Capitalisation Price”	the subscription price of HK\$0.05 per Capitalisation Share for the Loan Capitalisation

DEFINITIONS

“Capitalisation Share(s)”	an aggregate of 5,060,000,000 Shares to be allotted and issued to, and to be subscribed by, the Subscriber pursuant to the terms and conditions of the Loan Capitalisation Agreement
“Changchun Dongxiu”	長春市東秀投資有限公司 (Changchun Dongxiu investment Company Limited*), a limited liability company established in the PRC which is beneficially owned as to approximately 4.55% and approximately 95.45% by Mr. Cui and Ms. Chai, respectively, as at the Latest Practicable Date
“Charm Success”	Charm Success Group Limited, a limited liability company incorporated in the British Virgin Islands and further information of which are set out in the section headed “Effects of the Loan Capitalisation Agreement on shareholding structure of the Company” in this circular
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Hua Yin International Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00989)
“Concert Party Group”	the Subscriber, Ground Investment Holding, Mr. Cui, Ms. Chai, Ms. Cui, Ka Yik, Charm Success, Jilin Dongxiu and Changchun Dongxiu and their respective concert parties
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Debt Reorganisation”	including (a) the novation of the Loan to the Company; and (b) the assignment of the rights of Ground Investment Holding as creditor of the Loan to the Subscriber
“Deed of Set-off”	the deed to be entered into between the Company and the Subscriber in relation to the setting off of the Loan against the aggregate Capitalisation Price
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates

DEFINITIONS

“Ground Investment Holding”	Ground Investment Holding Group Co., Ltd.* (廣澤投資控股集團有限公司), a limited liability company established in the PRC which is 75% owned by Jilin Dongxiu, a company beneficially wholly-owned by Mr. Cui and 25% by Changchun Dongxiu, a company beneficially owned as to approximately 4.55% and approximately 95.45% by Mr. Cui and Ms. Chai, who is the spouse of Mr. Cui and the mother of Ms. Cui, respectively, as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors (who have no direct or indirect interest in the Loan Capitalisation and the Whitewash Waiver), namely Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Mr. Wang Xueguang, which has been established to advise (after considering the advice from the Independent Financial Adviser) the Independent Shareholders in respect of, among other things, the Loan Capitalisation Agreement and the transactions contemplated thereunder, and the Whitewash Waiver, and as to the voting action therefor
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as set out under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee, for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Loan Capitalisation Agreement and the transactions contemplated thereunder, and the Whitewash Waiver, and as to the voting action therefor
“Independent Shareholders”	the Shareholders other than the Concert Party Group and their associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement, the Specific Mandate and/or the Whitewash Waiver and the transactions contemplated respectively thereunder

DEFINITIONS

“Jilin Dongxiu”	吉林省東秀投資有限公司 (Jilin Dongxiu Investment Company Limited*), a limited liability company established in the PRC which is beneficially and wholly-owned by Mr. Cui as at the Latest Practicable Date
“Jilin Rongyu”	Jilin Rongyu Investment Company Limited* (吉林省融裕投資有限公司), a limited liability company established in the PRC which is an indirect wholly-owned subsidiary of the Company
“Ka Yik”	Ka Yik Investments Limited, a limited liability company incorporated in the British Virgin Islands and details of which are set out in the section headed “Effects of the Loan Capitalisation Agreement on shareholding structure of the Company” in the Letter from the Board in this circular
“Latest Practicable Date”	26 June 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	shall have the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the security-free and interest-free loan in the total amount of approximately RMB230,000,000 owed by Jilin Rongyu to Ground Investment Holding as at the Latest Practicable Date, which shall be novated to, and borne by, the Company upon the Debt Reorganisation becoming effective
“Loan Capitalisation”	the allotment and issue of the Capitalisation Shares at the Capitalisation Price of HK\$0.05 per Capitalisation Share to the Subscriber by capitalising the Loan pursuant to the Loan Capitalisation Agreement
“Loan Capitalisation Agreement”	the loan capitalisation agreement dated 25 April 2024 entered into between the Company and the Subscriber in relation to the Loan Capitalisation
“Mr. Cui”	Mr. Cui Mindong, the non-executive Director and the father of Ms. Cui
“Ms. Chai”	Ms. Chai Xiu, the spouse of Mr. Cui and the mother of Ms. Cui
“Ms. Cui”	Ms. Cui Xintong, the executive Director and the chairperson of the Board and the daughter of Mr. Cui and Ms. Chai

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at 24/F, Office Plus @ Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Tuesday, 16 July 2024 at 3:00 p.m. to consider and, if thought fit, approve, among other things, the Loan Capitalisation Agreement, the Specific Mandate, the Whitewash Waiver and the transactions respectively contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Options”	the 15,400,000 outstanding option(s) to subscribe for 15,400,000 new Shares granted under the share option scheme adopted by the Company on 5 September 2012, consisting of (i) 10,300,000 outstanding options to subscribe for 10,300,000 new Shares at an exercise price of HK\$0.98 per Share Option which is exercisable from 18 April 2016 to 17 April 2026; and (ii) 5,100,000 outstanding options to subscribe for 5,100,000 new Shares at an exercise price of HK\$1.20 per Share Option which is exercisable from 24 October 2015 to 23 October 2024
“Specific Mandate”	the specific mandate to be sought from the Shareholders for the allotment and issue of the Capitalisation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ground Investment Holding Group (Hong Kong) Co., Limited (廣澤投資控股集團(香港)有限公司), a private company limited by shares and a wholly-owned subsidiary of Ground Investment Holding
“Substantial Shareholder”	shall have the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it which may otherwise arise as a result of the subscription of the Capitalisation Shares by the Subscriber pursuant to the Loan Capitalisation Agreement
“%”	per cent.

** For identification purpose only*

LETTER FROM THE BOARD



HUA YIN INTERNATIONAL HOLDINGS LIMITED
華音國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 989)

Executive Directors:

Ms. Cui Xintong (*Chairperson*)
Mr. Li Junjie (*Chief Executive Officer*)
Mr. Cong Peifeng
Mr. Xu Yingchuan

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Cui Mindong

*Head office and principal place
of business:*

Room 1305, 13th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Independent non-executive Directors:

Mr. Tsang Hung Kei
Mr. Wang Xiaochu
Mr. Wang Xueguang

29 June 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES
UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement and the supplemental announcement of the Company dated 16 May 2024.

The purpose of this circular is to provide you with, among other things, (i) further details of the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Loan Capitalisation and the Whitewash Waiver; (iii) a letter of

LETTER FROM THE BOARD

advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Capitalisation and the Whitewash Waiver; and (iv) a notice convening the SGM.

LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE

Loan Capitalisation Agreement

On 25 April 2024 (after trading hours), the Company and the Subscriber have entered into the Loan Capitalisation Agreement, pursuant to which the Company conditionally agreed to allot and issue to the Subscriber, and the Subscriber conditionally agreed to subscribe for, a total of 5,060,000,000 Capitalisation Shares at the Capitalisation Price of HK\$0.05 per Capitalisation Share for a total consideration of HK\$253 million (equivalent to approximately RMB230 million). The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising, and setting off against, the Loan in full on a dollar-for-dollar basis upon completion of the Loan Capitalisation Agreement.

The principal terms of the Loan Capitalisation Agreement are set out below.

Date	25 April 2024
Parties	(a) the Subscriber as the subscriber; and (b) the Company as the issuer
	As at the Latest Practicable Date, the ultimate beneficial owners of the Subscriber are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui, the chairperson of the Board and the executive Director; and (ii) Ms. Chai, who is the spouse of Mr. Cui and the mother of Ms. Cui. Hence, the Subscriber is a connected person of the Company.
Total consideration	HK\$253 million (equivalent to approximately RMB230 million)
Number of Capitalisation Shares to be allotted and issued	5,060,000,000 Capitalisation Shares
Capitalisation Price per Capitalisation Share	HK\$0.05

As at the Latest Practicable Date, Jilin Rongyu, an indirect wholly-owned subsidiary of the Company, was indebted to the Ground Investment Holding, the entire issued share capital of which is owned by Mr. Cui and Ms. Chai, the Loan in the amount of approximately RMB230 million (equivalent to approximately HK\$253 million). The Loan is unsecured, interest free and repayable on or before 28 February 2025. The

LETTER FROM THE BOARD

Loan was provided to Jilin Rongyu by Ground Investment Holding for the purpose of the Group's general working capital requirement, primarily for the repayment of the Group's bank borrowings and finance costs. As at the Latest Practicable Date, the entire issued share capital of Ground Investment Holding was owned as to 75% by Jilin Dongxiu, a company beneficially wholly-owned by Mr. Cui, the non-executive Director and the father of Ms. Cui, and as to 25% by Changchun Dongxiu, a company beneficially owned as to approximately 4.55% and approximately 95.45% by Mr. Cui and Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui, respectively.

Debt Reorganisation

It is proposed that the Debt Reorganisation shall be conducted among (1) the Company; (2) Jilin Rongyu; (3) Ground Investment Holding; and (4) the Subscriber regarding the Loan, pursuant to which (a) the Loan owing to Ground Investment Holding by Jilin Rongyu shall be novated to, and borne by, the Company; (b) the rights of Ground Investment Holding as creditor of the Loan shall be assigned to the Subscriber.

Completion of the Debt Reorganisation is conditional upon satisfaction of the following conditions:

- (a) each of the signing parties having obtained the approvals from their respective board of directors to the Debt Reorganisation;
- (b) if necessary, all necessary consents and approvals required to be obtained on the part of the Company under the Listing Rules or other applicable laws and regulations in respect of the Debt Reorganisation having been obtained;
- (c) if necessary, the passing of the necessary shareholders resolution(s) at the general meeting of the Company approving the Debt Reorganisation; and
- (d) all necessary consents, approvals, registration or other applicable procedures required to be obtained by each party in respect of the offshore debt (if applicable) and offshore investment (if applicable) from the relevant government authorities in the PRC (including but not limited to the National Development and Reform Commission, the State Administration of Foreign Exchange, and the commerce management department) in respect of the Debt Reorganisation having been obtained or completed.

Upon completion of the Debt Reorganisation, the Company would be directly indebted to the Subscriber in the sum of the Loan. As at the Latest Practicable Date, condition (a) above has been fulfilled and condition (c) above is not necessary, while conditions (b) and (d) above remain outstanding as the Debt Reorganistaion is subject to the consents and approvals from the National Development and Reform Commission, the State Administration of Foreign Exchange and the commerce management department. Save as disclosed, no further PRC government authorities' consents and approvals are required for the Debt Reorganisation. Further, as at the Latest Practicable Date, the Debt Reorganisation has yet to complete.

LETTER FROM THE BOARD

Loan Capitalisation

Subject to the completion of the Debt Reorganisation, the Company would be directly indebted to the Subscriber in the sum of the Loan. The Company will issue to the Subscriber the Capitalisation Shares at the Capitalisation Price, which shall be satisfied by capitalising, and setting off against, the Loan in full on a dollar-for-dollar basis upon completion of the Loan Capitalisation Agreement.

Capitalisation Shares

Assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares, the Capitalisation Shares represent:

- (i) approximately 70.24% of the total number of issued Shares as at the Latest Practicable Date; and
- (ii) approximately 41.26% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares.

The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the SGM. The Concert Party Group and their associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement, the Specific Mandate and/or the Whitewash Waiver and the transactions contemplated respectively thereunder shall abstain from voting in respect of the resolution relating to the Loan Capitalisation Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, each of Charm Success, Ka Yik and Ms. Chai are beneficially interested in 434,320,694 Shares, 1,794,780,371 Shares and 850,000 Shares, respectively, representing approximately 6.03%, 24.91% and 0.01% of the issued Shares, respectively. Please refer to the section headed “Effects of the Loan Capitalisation Agreement on shareholding structure of the Company” in this circular for further details. As at the Latest Practicable Date, save for Charm Success, Ka Yik and Ms. Chai, no other Shareholders are required to abstain from voting on the aforesaid resolutions.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with the Shares then in issue.

LETTER FROM THE BOARD

The Capitalisation Price

The Capitalisation Price of HK\$0.05 represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$0.045 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 19.05% over the closing price of HK\$0.042 per Share as quoted on the Stock Exchange on 25 April 2024, being the date of the Loan Capitalisation Agreement (the “**Last Trading Day**”);
- (iii) a premium of approximately 6.38% over the average closing price of HK\$0.047 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (iv) a discount of approximately 3.29% to the average closing price of HK\$0.0517 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (v) a discount of approximately 15.68% to the average closing price of HK\$0.0593 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (vi) a discount of approximately 83.18% to the average closing price of HK\$0.2973 per Share as quoted on the Stock Exchange for the last 360 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (vii) there is no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the theoretical diluted price of approximately HK\$0.0482 per Share is higher than the benchmarked price of approximately HK\$0.047 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Loan Capitalisation Agreement of HK\$0.042 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement of HK\$0.047 per Share);
- (viii) there is no theoretical dilution effect as the theoretical diluted price of approximately HK\$0.0482 per Share is higher than the closing price as at the Latest Practicable Date of HK\$0.045 per Share;
- (ix) a premium of approximately 45.77% over the Group’s audited net assets per Share of approximately HK\$0.0343 (equivalent to approximately RMB0.0318 at the exchange rate of HK\$1 = RMB0.9284) as at 31 March 2024 based on the 7,203,638,808 Shares in issue as at 31 March 2024, being the date to which the latest published audited accounts of the Company were made up; and

LETTER FROM THE BOARD

- (x) a discount of approximately 0.79% to the Group's adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0504 per Share (equivalent to approximately RMB0.0468 as the exchange rate of HK\$1 = RMB0.9284) as at 31 March 2024 based on (a) the 7,203,638,808 Shares in issue as at the Latest Practicable Date; and (b) the adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately RMB337.4 million.

The Capitalisation Price was determined after arm's length negotiations between the Company and the Subscriber with reference to (i) the recent and historical market prices of the Shares; (ii) the outstanding amount of the Loan; (iii) the market conditions, which suggest that it would be difficult for the Company to pursue sizeable equity financing alternative in the stock market; and (iv) the financial position of the Group, having considered that the audited net assets of the Group of approximately RMB228.9 million and the amount of cash and cash equivalents of approximately RMB53.6 million as at 31 March 2024.

The adjusted unaudited consolidated net asset value attributable to the Shareholders

By taking into account the effect of the revaluation surplus arising from the valuation of all the property interests held by the Group as set out in Appendix II to this circular, set out below is the calculation of the Group's adjusted unaudited consolidated net asset value attributable to the Shareholders:

	<i>RMB'000</i>
Audited consolidated net asset value attributable to the Shareholders as at 31 March 2024	228,874
Adjustment:	
Revaluation surplus arising from the valuation of all the property interests held by the Group as at 31 March 2024 based on the property valuation report set out in Appendix II to this circular (<i>Note</i>)	<u>108,563</u>
Adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders	<u><u>337,437</u></u>

Note: This represents the excess of the market value of all the property interests held by the Group as at 31 March 2024 over their corresponding net book values as at 31 March 2024.

As at 31 March 2024, the adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders amounted to approximately RMB337.4 million.

LETTER FROM THE BOARD

Conditions precedent and termination

Completion of the Loan Capitalisation Agreement is conditional upon satisfaction of the following conditions:

- (i) the Listing Committee having granted the approval for the listing of and permission to deal in the Capitalisation Shares, and such approval and permission having not been subsequently revoked;
- (ii) the passing by the Independent Shareholders of resolution(s) at the SGM approving (i) the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the Specific Mandate) by more than 50% of the votes cast by the Independent Shareholders by way of poll; and (ii) the Whitewash Waiver by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll, in accordance with the Listing Rules and the Takeovers Code;
- (iii) the Debt Reorganisation having been completed;
- (iv) the Executive having granted the Whitewash Waiver (which have not been subsequently revoked) and all the conditions attached thereto (if any) having been satisfied;
- (v) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder having been obtained; and
- (vi) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder having been obtained.

None of the above conditions can be waived by any party to the Loan Capitalisation Agreement. In the event that the above conditions precedent have not been satisfied on or before 31 December 2024 (or such other date and time as may be agreed by the Company and the Subscriber in writing), all liabilities of the Company and the Subscriber under the Loan Capitalisation Agreement shall terminate (save for those specified to survive termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Save for the consents and approvals required to be obtained by the Company as set out in conditions (i) to (iv) above, there is no other governmental, regulatory and corporate consents and approvals required to be obtained in respect of conditions (v) and (vi) above. As at the Latest Practicable Date, none of the above conditions have been satisfied.

As the completion of the Loan Capitalisation is subject to the fulfilment of the conditions precedent as stated in the Loan Capitalisation Agreement and as set out above, the Loan Capitalisation may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

Completion

Completion of the subscription contemplated under the Loan Capitalisation Agreement shall take place at 4 p.m. on the third Business Day (or such other date and time as may be agreed by the Company and the Subscriber in writing) upon the satisfaction of the conditions under the Loan Capitalisation Agreement, upon which the parties thereto shall enter into the Deed of Set-off to set off the aggregate Capitalisation Price against the Loan in full on a dollar-for-dollar basis and carry out all necessary actions to allot and issue the Capitalisation Shares within the prescribed time limit.

Information of the parties to the Loan Capitalisation Agreement

The Company was incorporated in Bermuda as a limited liability company. The Company is principally engaged in investment holding and the Group is principally engaged in property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment in the PRC.

Jilin Rongyu was established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in investment holding and its subsidiaries are principally engaged in property development, property management, and property investment business.

Ground Investment Holding is a company established in the PRC with limited liability, and is principally engaged in financing consultancy services; investment activities with own fundings; asset management services with own fundings; enterprise management; leasing management; and property leasing. As at the Latest Practicable Date, the entire issued share capital of Ground Investment Holding was owned as to 75% by Jilin Dongxiu, a company beneficially wholly-owned by Mr. Cui, the non-executive Director and the father of Ms. Cui, and as to 25% by Changchun Dongxiu, a company beneficially owned as to approximately 4.55% and approximately 95.45% by Mr. Cui and Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui, respectively.

The Subscriber is a company incorporated in Hong Kong with limited liability, and is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Cui and Ms. Chai are the ultimate beneficial owners of the Subscriber. Hence, each of the Subscriber and Ground Investment Holding is a connected person of the Company.

Mr. Cui, aged 58, is a non-executive Director of the Company. Mr. Cui has been the chairman of Ground Investment Holding from 2010 up to now. For the period from 2001 to 2010, Mr. Cui was the chairman of 吉林省廣澤集團有限公司 (Jilin Province Guangze Group Company Limited*). Mr. Cui was working as a manager of 吉林省儲備糧公司長春分公司 (Jilin Province Grain Reserve Company – Changchun Branch) for the period from 1999 to 2001. Mr. Cui graduated from Jilin Agricultural University major in agricultural studies in 1988 and obtained an EMBA degree at Cheung Kong Graduate School of Business in 2008.

LETTER FROM THE BOARD

Information on the Loan

As at the Latest Practicable Date, Jilin Rongyu, an indirect wholly-owned subsidiary of the Company, was indebted to the Ground Investment Holding, the entire issued share capital of which is owned by Mr. Cui and Ms. Chai, the Loan in the amount of approximately RMB230 million (equivalent to approximately HK\$253 million). The Loan is unsecured, interest free and repayable on or before 28 February 2025. The Loan was provided to Jilin Rongyu by Ground Investment Holding for the purpose of the Group's general working capital requirement, primarily for the repayment of the Group's bank borrowings and finance costs. As at the Latest Practicable Date, the entire issued share capital of Ground Investment Holding was owned as to 75% by Jilin Dongxiu, a company beneficially wholly-owned by Mr. Cui, the non-executive Director and the father of Ms. Cui, and as to 25% by Changchun Dongxiu, a company beneficially owned as to approximately 4.55% and approximately 95.45% by Mr. Cui and Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui, respectively.

Details of the Loan are set out as follows:

Borrower	Recipients <i>(Note)</i>	Date of loan receipts	Loan amount <i>(RMB)</i>	Outstanding Loan amount as at the Latest Practicable Date <i>(RMB)</i>
Jilin Rongyu	Jilin Province Xisheng Real Estate Development Co., Ltd.	21 December 2020	35,314,811	35,314,811
	Baishan Ground Real Estate Development Company Limited	24 December 2021	12,824,383	12,824,383
	Fusong Changbaishan Ground Tourism Development Company Limited	28 October 2021 30 December 2022	100,000,000 24,239,599	100,000,000 24,239,599
	Fusong Ground Real Estate Development Company Limited	21 December 2021 9 June 2022	28,838,005 28,831,617	28,838,005 28,831,617
		Total	230,048,415	230,048,415

Note: All the recipients above are indirect wholly-owned subsidiaries of the Company.

LETTER FROM THE BOARD

Reasons for and benefits of the Loan Capitalisation Agreement

As disclosed in the 2023 Interim Report and the 2023 Annual Results, the Group has been proactive in seeking appropriate investment opportunities and conducting prudent project research, due diligence or formulating execution plans on its core business as well as in areas including but not limited to cultural tourism projects and supplementary businesses in mineral water industry and ginseng industry. Nevertheless, the financial performance of the Group has been adversely impacted by the lack of newly completed property project delivered and the decrease in sales of properties, which had in turn led to a significant decrease in the overall revenue and gross profit of the Group (1) for the six months ended 30 September 2023 as compared to that of the corresponding period in 2022 and (2) for the year ended 31 March 2024 as compared to the year ended 31 March 2023, and a change in the financial position of the Group from profit making to loss making. In light of the persisting uncertainties in the property market of the PRC, the loss position of the Group as well as the aforementioned business plans of the Group, the Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market.

The Group had been in a highly leveraged financial position with substantial amount of bank and other borrowings. As disclosed in the 2023 Annual Results, as at 31 March 2024, the Company had loans of approximately RMB420.6 million which would become due within one year or on demand, and the gearing ratio of the Company was approximately 80%. Coupled with the recent cautious investment sentiment and the increasing trend of the interest rate in the debt market, the Company had difficulties in seeking debt or equity financing to finance its business development. Based on the figures as set out in the 2023 Annual Results and assuming there is no other change to the financial position of the Group up to the date of Completion, the gearing ratio of the Company immediately after completion of the Loan Capitalisation will be lowered to 68%, resulting in a healthier financial position of the Group.

Taking into account the financial performance of the Group, limited cash and cash equivalents available (approximately RMB53.6 million as at 31 March 2024 based on the 2023 Annual Results) as well as the business plan of the Group in the near future, the Board (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Cui and Ms. Cui who had abstained from voting on the relevant Board resolutions and providing views on the matters) considers that while there is no immediate need to repay the Loan, it is a good timing to conduct the Loan Capitalisation as the completion of the Loan Capitalisation would lead to a healthier financial position of the Group as disclosed above, and the Loan Capitalisation represents a good opportunity to (i) allow the Company to settle the Loan without utilising all existing financial resources of the Company which may be used for expansion of the Group's businesses, and (ii) reduce the current gearing level of the Group which in turn strengthen its financial position and debt financing capability in the long run.

The Directors (excluding Ms. Cui and Mr. Cui) had considered other alternative financing methods to settle the Loan. For debt financing, having considered the lack of security for arranging any possible debt financing, the Directors (excluding Ms. Cui and Mr. Cui) considered that the Group is not in a feasible position to obtain further debt financing from financial institutions for settlement of the Loan. The increasing trend of the interest rate in the debt market will also increase the interest burden of the Group. In respect of equity fund raising, given the relatively substantial amount of the Loan, the recent weak sentiment

LETTER FROM THE BOARD

of the stock market and uncertain economic environment, it is difficult to procure an underwriter for rights issue or placing or a placing agent for share placement which is able to raise sufficient funding for the settlement of the Loan.

Among the possible alternatives available to the Company, the Company considers that the Loan Capitalisation is an appropriate and cost-effective method to the Company. Comparing to debt financing, the Loan Capitalisation would allow the Company to avoid further finance cost.

Although (1) the allotment and issue of the Capitalisation Shares will have a dilution effect on the shareholding interest of the existing Shareholders and (2) the Capitalisation Price is at discount as compared to the average closing price for the last 10, 30 and 360 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement, respectively, having considered (i) the Capitalisation Price represents a premium over (a) the market price of the Shares as of the date of the Loan Capitalisation Agreement; and (b) the average closing price for the last five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement; (ii) the Loan Capitalisation can discharge the settlement obligations of the Loan; (iii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will enlarge the capital base, and accordingly, strengthen the financial position of the Group; and (iv) other alternative financing methods as mentioned above are not viable for the Group, the Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser but excluding Mr. Cui and Ms. Cui who had abstained from voting on the relevant Board resolutions and providing views on the matters) consider the dilution effect arising from the allotment and issue of the Capitalisation Shares is justifiable in this regard. Although the Loan Capitalisation Agreement is not in the ordinary and usual course of business of the Group, the terms of the Loan Capitalisation Agreement, which was negotiated on an arm's length basis and agreed on normal commercial terms between the parties thereto, and the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and in the interests of the Company and Shareholders as a whole.

Independent Financial Adviser's Opinion

The Independent Financial Adviser considered the Capitalisation Price to be fair and reasonable so far as the Independent Shareholders are concerned and the potential dilution effect on the shareholding interests of the existing minority Shareholders being acceptable. For details of the Independent Financial Adviser's analysis, please refer to the letter of the Independent Financial Adviser set out in this circular.

Future intentions of the Subscriber regarding the Group

Upon Completion, the Subscriber will become, and the Concert Party Group will continue to be, a controlling shareholder (as defined under the Listing Rules) of the Company. The Subscriber confirms that:

- (a) the Concert Party Group intends that the Group will continue with its existing business following the completion of the Subscription;

LETTER FROM THE BOARD

- (b) the Concert Party Group shares the view of the Board as disclosed in the paragraph headed “Reasons for and benefits of the Loan Capitalisation Agreement” above, in which it is mentioned that the Loan Capitalisation is in the interests of the Group; and
- (c) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group’s employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

Use of proceeds

As the Capitalisation Price will be satisfied by way of offsetting the Loan, there will be no remaining net proceeds from the allotment and issue of the Capitalisation Shares available to be utilised by the Company.

Effects of the Loan Capitalisation Agreement on shareholding structure of the Company

For illustration purposes only and assuming that (1) no Share Options will be exercised; (2) neither 2021 Convertible Bonds nor 2023 Convertible Bonds have been converted; and (3) there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares, the table below sets out the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Loan Capitalisation.

	As at the Latest Practicable Date		Immediately after completion of the Loan Capitalisation	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Substantial Shareholder				
Charm Success (<i>Note 1</i>)	434,320,694	6.03	434,320,694	3.54
Ka Yik (<i>Notes 1 & 2</i>)	1,794,780,371	24.91	1,794,780,371	14.64
Ms. Chai	850,000	0.01	850,000	0.01
The Subscriber (<i>Note 3</i>)	—	—	5,060,000,000	41.26
Sub-total (<i>The Concert Party Group</i>)	<u>2,229,951,065</u>	<u>30.95</u>	<u>7,289,951,065</u>	<u>59.45</u>
Hong Kong Toprich Investment Limited (<i>Note 4</i>)	1,042,000,000	14.46	1,042,000,000	8.50
Public Shareholders				
Public shareholders	<u>3,931,687,743</u>	<u>54.59</u>	<u>3,931,687,743</u>	<u>32.05</u>
Total	<u><u>7,203,638,808</u></u>	<u><u>100.00</u></u>	<u><u>12,263,638,808</u></u>	<u><u>100.00</u></u>

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Notes:

- (1) Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited, which is in turn wholly held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of part XV of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik.
- (2) Ka Yik entered into a sale and purchase agreement (the “SPA”) on 29 July 2022 pursuant to which Ka Yik agreed to sell 1,000,000,000 Shares (representing approximately 13.88% of the total issued share capital of the Company as at the Latest Practicable Date) to Tianfeng International Holding Limited (“**Tianfeng**”). Tianfeng is a company wholly owned by Jilin Wanding Holdings Group Co., Ltd.*, which 90%, 5% and 5% of its shares are owned by (i) Mr. Sui Guangyi (“**Mr. Sui**”), a former non-executive Director not acting in concert with the Concert Party Group; (ii) Mr. Wang Jian (王健), an independent third party not acting in concert with the Concert Party Group; and (iii) Ms. Wang Min (王敏), an independent third party not acting in concert with the Concert Party Group, respectively. As at the Latest Practicable Date, while Tianfeng shall be deemed to be interested in those 1,000,000,000 Shares via its interests in the SPA, as Tianfeng has not yet fulfilled all of the obligations undertaken by it (i.e. the only outstanding obligation being the undertaking by Tianfeng to procure the Group to discharge any corporate guarantee given by Ka Yik or its associates as a security for the Group’s borrowing when fall due or upon re-financing), notwithstanding the consideration payable by Tianfeng under the SPA has been fully settled, the completion of the SPA has not taken place and the transaction has not completed yet. Accordingly, Ka Yik remains to be the legal and beneficial owner of the 1,000,000,000 Shares as at the Latest Practicable Date.
- (3) The Subscriber is a wholly-owned subsidiary of Ground Investment Holding, which is in turn held as to 75% by 吉林省東秀投資有限公司 (Jilin Dongxiu Investment Limited*) (i.e. Jilin Dongxiu), a company beneficially wholly-owned by Mr. Cui, and as to 25% by 長春市東秀投資有限公司 (Changchun Dongxiu Investment Limited*) (i.e. Changchun Dongxiu), a company beneficially owned as to approximately 4.55% by Mr. Cui and as to 95.45% by Ms. Chai. The Subscriber is considered to be the controlled corporation of Jilin Dongxiu. Mr. Cui, the non-executive Director, through his shareholding in Jilin Dongxiu and bein one of the ultimate beneficial owners of the Subscriber, is deemed to be interested in the securities held by the Subscriber by virtue of Part XV of the SFO.
- (4) These 1,042,000,000 Shares are held by Hong Kong Toprich Investment Limited, which is in turn wholly owned by Final Destination Limited, which is in turn wholly owned by Eternity Sky Limited, which is in turn wholly owned by Flying Goddess Limited, which is in turn wholly owned by Ding Yi Feng Holdings Group International Limited, a company the shares of which are listed on the Main Board of the Stock Exchange and approximately 22.26% of shares of which is held by/deemed to be held by Mr. Sui by virtue of Part XV of the SFO.
- (5) Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As at the Latest Practicable Date, the outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company consist of (1) 15,400,000 Share Options which entitle the holders of thereof to subscribe for an aggregate of 15,400,000 Shares at an exercise price of a range between HK\$0.98 to HK\$1.20 per Share Option; (2) the 2021 Convertible Bonds; and (3) the 2023 Convertible Bonds (a total of 134,831,460 conversion shares will be issued to the bondholders upon exercising the conversion rights under the 2023 Convertible Bonds in full at the initial conversion price of HK\$0.445 per conversion share), among which the following member(s) of the Concert Party Group are a holder of the followings:

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Name of holder within the Concert Party Group	No. of Share Options or principal amount of convertible bonds held
Ka Yik	Convertible bonds in the principal amount of HK\$103,076,730 which may be converted to a total of 264,299,307 conversion shares (i.e. the 2021 Convertible Bonds)

Save as disclosed, the Group has no outstanding warrants, options, convertible securities or other derivatives convertible into Shares, and no share or loan capital of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no other conversion right affecting the Shares or other derivatives in respect of securities which are being offered for or which carry voting rights have been issued or granted or agreed conditionally or unconditionally to be issued or granted.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the ultimate beneficial owners of each of the Subscriber and Ground Investment Holding are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui, the chairperson of the Board and the executive Director; and (ii) Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui. Hence, each of the Subscriber and Ground Investment Holding is a connected person of the Company.

The Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Cui and Mr. Cui have abstained from voting on the Board resolution(s) approving the Loan Capitalisation Agreement and the transactions contemplated thereunder. The Concert Party Group and their associates (i.e. Charm Success, Ka Yik and Ms. Chai) and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement, the Specific Mandate and/or the Whitewash Waiver and the transactions contemplated respectively thereunder shall also abstain from voting at the SGM in respect of the resolution(s) approving the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. Save as disclosed above, (i) no other Director has a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution(s) in relation to the aforesaid matters; (ii) no other Shareholder has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver and therefore no other Shareholder is required to abstain from voting at the SGM in respect of the resolution(s) approving the aforesaid matters.

LETTER FROM THE BOARD

APPLICATION FOR LISTING OF THE CAPITALISATION SHARES

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Capitalisation Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the ultimate beneficial owners of the Subscriber are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui; and (ii) Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui. Ms. Cui, being the settlor and protector of The Ground Trust (details of which are set out in the section headed “Effects of the Loan Capitalisation Agreement on shareholding structure of the Company” above), is deemed to be interested (by virtue of Part XV of the SFO) in an aggregate of 2,229,101,065 Shares of the Company, representing approximately 30.94% of the issued Shares as at the Latest Practicable Date via her interests in Ka Yik and Charm Success. Pursuant to the definition under the Takeovers Code, the Subscriber, Ground Investment Holding, Mr. Cui, Ms. Chai, Ms. Cui, Charm Success, Ka Yik, Jilin Dongxiu and Changchun Dongxiu are presumed to be under classes (1) and (8) of the definition of acting in concert under the Takeovers Code, and as a matter of fact are, parties acting in concert.

Under the Loan Capitalisation Agreement, the Subscriber shall subscribe for a total of 5,060,000,000 Capitalisation Shares. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Capitalisation Shares, the aggregate shareholding interest of the Concert Party Group would increase from 2,229,951,065 Shares, representing approximately 30.95% of the issued Shares as at the Latest Practicable Date, to 7,289,951,065 Shares, representing approximately 59.45% of the issued Shares as enlarged by the allotment and issue of the Capitalisation Shares immediately after completion of the transactions contemplated under the Loan Capitalisation Agreement.

Upon completion of the Loan Capitalisation, the Concert Party Group would be required to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Party Group) unless the Whitewash Waiver is granted by the Executive.

An application for the Whitewash Waiver has been made by the Subscriber to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Whitewash Waiver will be conditional upon, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder. The Concert Party Group and their associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement and/or the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM. Other than Charm Success, Ka Yik and Ms. Chai who are members of the Concert Party Group and Shareholders, none of the Shareholders is

LETTER FROM THE BOARD

involved in or interested in the Loan Capitalisation Agreement and/or the transactions contemplated thereunder, and/or the Whitewash Waiver and is required to abstain from voting in respect of the resolution(s) to approve the aforesaid matters at the SGM.

If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Loan Capitalisation Agreement is not fulfilled, the subscription contemplated under the Loan Capitalisation Agreement will not proceed.

The Company confirms that the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder do not and will not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules).

Shareholders and public investors should note that immediately upon completion of the Loan Capitalisation Agreement and the issue and allotment of the Capitalisation Shares, the shareholding of the Concert Party Group in the Company will exceed 50% of the voting rights of the Company and that the Concert Party Group may increase its shareholding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has conducted the following fund-raising activities in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement(s)	Fund raising activities	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
31 May 2023; 9 June 2023; 23 June 2023	<p>The Company entered into a conditional placing agreement with Kingston Securities Limited in relation to the placing of convertible bonds in the principal amount of up to HK\$150.0 million (convertible into up to 337,078,651 Shares) (i.e. the 2023 Convertible Bonds).</p> <p>On completion, convertible bonds with aggregate principal amount of HK\$60.0 million (convertible into up to 134,831,460 Shares) have been placed to independent third party not acting in concert with the Concert Party Group.</p>	<p>Approximately HK\$58.3 million (equivalent to RMB54.1 million)</p>	<p>(i) potential acquisition and/or projects investment in new business;</p> <p>(ii) repayment of the Group's indebtedness and finance cost; and</p> <p>(iii) general working capital of the Group</p>	<p>(i) approximately RMB30.8 million has been applied for the acquisition of ginseng assets and investment in a mineral water project, all of which has been utilised;</p> <p>(ii) approximately RMB19.5 million has been applied for repayment of the Group's indebtedness and finance cost, of which approximately RMB18.7 million has been utilised; and</p> <p>(iii) approximately RMB3.8 million has been applied for general working capital of the Group, all of which has been utilised.</p>

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Save as disclosed above, the Company has not conducted other fundraising exercise involving issue of equity securities during the 12 months immediately preceding the Latest Practicable Date.

GENERAL

The Independent Board Committee, comprising all independent non-executive Directors (who have no direct or indirect interest in the Loan Capitalisation and the Whitewash Waiver), namely Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Mr. Wang Xueguang, has been established pursuant to Rule 2.8 of the Takeovers Code and the Listing Rules to advise the Independent Shareholders as to, among other things, whether the terms of the Loan Capitalisation Agreement and the Whitewash Waiver are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and how to vote, after taking into account the recommendations of the Independent Financial Adviser. Mr. Cui, the non-executive Director, is the father of Ms. Cui and a member of the Concert Party Group, and is therefore considered to have material interest in the Loan Capitalisation Agreement and the Whitewash Waiver. Accordingly, Mr. Cui will not be a member of the Independent Board Committee (for the purpose of Rule 2.8 of the Takeovers Code).

The Independent Financial Adviser has been appointed (with the approval of the Independent Board Committee) pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders on the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder and the Whitewash Waiver and to make recommendation as to voting.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other matters, (i) the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the Specific Mandate) by more than 50% of the votes cast by the Independent Shareholders by way of poll; and (ii) the Whitewash Waiver by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll, in accordance with the Listing Rules and the Takeovers Code. A notice convening the SGM to be held at 24/F, Office Plus @ Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong on Tuesday, 16 July 2024 at 3:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.huayininternational.com>).

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as follows:

- (i) in case of those members registered on the principal register: at the office of the Company's principal share registrar, MUFG Fund Services (Bermuda) Limited, c/o Suntera Corporate Services Limited at 18/F, On Building, 162 Queen's Road Central, Central, Hong Kong; and
- (ii) in case of those members registered on the Hong Kong branch register: at the office of the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong,

LETTER FROM THE BOARD

as soon as possible but in any event and in both cases, not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

The Concert Party Group and their associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement, the Specific Mandate and/or the Whitewash Waiver and the transactions contemplated respectively thereunder shall abstain from voting on the resolutions to approve (i) the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the Specific Mandate) and (ii) the Whitewash Waiver, respectively, at the SGM. As at the Latest Practicable Date, save for Charm Success, Ka Yik and Ms. Chai, no other Shareholders are required to abstain from voting on the aforesaid resolutions.

RECOMMENDATION

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders as to, among other things, whether the terms of the Loan Capitalisation Agreement and the Whitewash Waiver are fair and reasonable, in the interests of the Company and the Shareholders as a whole, and how to vote, after taking into account the recommendations of the Independent Financial Adviser; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder and the Whitewash Waiver and to make recommendation as to voting

ADDITIONAL INFORMATION

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

Since completion of the Loan Capitalisation Agreement and the transactions contemplated thereunder are subject to the fulfilment of the respective conditions as set out therein and in this circular, the Loan Capitalisation Agreement and the relevant transactions may or may not proceed. Completion of the Loan Capitalisation is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver, more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Loan Capitalisation, and the grant of the Specific Mandate, respectively, at the SGM.

LETTER FROM THE BOARD

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if you are in any doubt about your position, you should consult your professional advisers.

By order of the Board of
Hua Yin International Holdings Limited
Cui Mindong
Non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Loan Capitalisation Agreement and the transactions contemplated thereunder.



HUA YIN INTERNATIONAL HOLDINGS LIMITED

華音國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 989)

29 June 2024

To the Independent Shareholders,

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES
UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company dated 29 June 2024 (“**Circular**”), of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders on the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 7 to 25 and pages 28 to 60 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having considered the terms of the Loan Capitalisation Agreement, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that although the Loan Capitalisation Agreement is not in the ordinary and usual course of business of the Group, the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Tsang Hung Kei
Independent non-executive
Director

Mr. Wang Xiaochu
Independent non-executive
Director

Mr. Wang Xueguang
Independent non-executive
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

29 June 2024

To: the Independent Board Committee and the Independent Shareholders

Hua Yin International Holdings Limited
Room 1305, 13th Floor
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE; AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 29 June 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 25 April 2024 (after trading hours), the Company and the Subscriber have entered into the Loan Capitalisation Agreement, pursuant to which the Company conditionally agreed to allot and issue to the Subscriber, and the Subscriber conditionally agreed to subscribe for, a total of 5,060,000,000 Capitalisation Shares at the Capitalisation Price of HK\$0.05 per Capitalisation Share for a total consideration of HK\$253 million (equivalent to approximately RMB230 million). The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising, and setting off against, the Loan in full on a dollar-for-dollar basis upon completion of the Loan Capitalisation Agreement. The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the ultimate beneficial owners of each of the Subscriber and Ground Investment Holding are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui, the chairperson of the Board and the executive Director; and (ii) Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui. Hence, each of the Subscriber and Ground Investment Holding is a connected person of the Company and the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the ultimate beneficial owners of the Subscriber are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui; and (ii) Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui. Ms. Cui, being the settlor and protector of The Ground Trust, is deemed to be interested (by virtue of Part XV of the SFO) in an aggregate of 2,229,101,065 Shares of the Company, representing approximately 30.94% of the issued Shares as at the Latest Practicable Date via her interests in Ka Yik and Charm Success. Pursuant to the definition under the Takeovers Code, the Subscriber, Ground Investment Holding, Mr. Cui, Ms. Chai, Ms. Cui, Charm Success, Ka Yik, Jilin Dongxiu and Changchun Dongxiu are presumed to be under classes (1) and (8) of the definition of acting in concert under the Takeovers Code, and as a matter of fact are, parties acting in concert. Under the Loan Capitalisation Agreement, the Subscriber shall subscribe for a total of 5,060,000,000 Capitalisation Shares. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Capitalisation Shares, the aggregate shareholding interest of the Concert Party Group would increase from 2,229,951,065 Shares, representing approximately 30.95% of the issued Shares as at the Latest Practicable Date, to 7,289,951,065 Shares, representing approximately 59.45% of the issued Shares as enlarged by the allotment and issue of the Capitalisation Shares immediately after completion of the transactions contemplated under the Loan Capitalisation Agreement. Upon completion of the Loan Capitalisation, the Concert Party Group would be required to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Party Group) unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be conditional upon, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder. The Concert Party Group and their associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement and/or the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM. Other than Charm Success, Ka Yik and Ms. Chai who are members of the Concert Party Group and Shareholders, none of the Shareholders is involved in or interested in the Loan Capitalisation Agreement and/or the transactions contemplated thereunder, and/or the Whitewash Waiver and is required to abstain from voting in respect of the resolution(s) to approve the aforesaid matters at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Loan Capitalisation Agreement is not fulfilled, the subscription contemplated under the Loan Capitalisation Agreement will not proceed.

The Independent Board Committee, comprising all the three independent non-executive Directors (who have no direct or indirect interest in the Loan Capitalisation and the Whitewash Waiver), namely Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Mr. Wang Xueguang, has been established pursuant to Rule 2.8 of the Takeovers Code and the Listing Rules to advise the Independent Shareholders as to, among other things, whether (i) the entering into of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. Mr. Cui, the non-executive Director, is the father of Ms. Cui and a member of the Concert Party Group, and is therefore considered to have material interest in the Loan Capitalisation Agreement and the Whitewash Waiver. Accordingly, Mr. Cui will not be a member of the Independent Board Committee (for the purpose of Rule 2.8 of the Takeovers Code).

We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not associated or connected financially or otherwise with the Company, the Subscriber, the Concert Party Group, their respective substantial shareholders and professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years, there was no engagement or connection between the Group, the Subscriber or the Concert Party Group on one hand and us on the other hand. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber, the Concert Party Group, their respective substantial shareholders and other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. As such, we are independent from the Company pursuant to the requirements under Rule 13.84 of the Listing Rules and qualified to give independent advice to the Independent Board Committee in respect of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the information and facts contained or referred to in this Circular; (ii) the information and opinions provided by the Directors and the management of the Group; and (iii) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Circular are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and intentions of the Directors and the management of the Group and those as set out or referred to in this Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

Shareholders will be informed by the Group and us as soon as possible if there is any material change to the information disclosed in this Circular (including the content of this letter) during the period from the Latest Practicable Date up to the date of the SGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Subscriber or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

The Group is principally engaged in the property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment in the PRC.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 March 2024 as extracted from the annual report of the Company for the year ended 31 March 2023 and the annual results announcement of the Company for the year ended 31 March 2024 (the “**2023 Annual Results**”):

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Financial performance*

	For the year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	112,103	394,107	116,072
– Sales of properties	65,040	349,158	69,936
– Rental income	14,052	12,103	13,239
– Property management service income	33,011	32,846	32,897
Gross profit	31,823	56,101	9,876
Gross profit margin	28.4%	14.2%	8.5%
Other income and gains	134,610	550,510	8,940
Selling and distribution expenses	(11,382)	(6,424)	(6,024)
Administrative expenses	(38,613)	(35,429)	(38,459)
Finance costs	(62,458)	(16,696)	(23,121)
Other expenses	(6,561)	(11,326)	(86,885)
Change in fair value of investment properties	(81,714)	(66,293)	(64,200)
Change in fair value of derivative financial instruments	(44,879)	(8,208)	(27,840)
(Loss)/profit before tax	(79,174)	462,235	(227,713)
(Loss)/profit attributable to the Shareholders	(56,960)	366,009	(193,330)

Year ended 31 March 2024 compared to year ended 31 March 2023

Total revenue of the Group decreased by approximately 70.5% from approximately RMB394.1 million for the year ended 31 March 2023 to approximately RMB116.1 million for the year ended 31 March 2024. Such decrease was primarily attributable to the decrease in sales of properties by approximately RMB279.2 million due to the fact that there was no newly completed property project delivered during the year ended 31 March 2024 and the sale of the properties for the period was contributed from the sale of remaining property units completed in prior years.

In line with the decrease in revenue, the Group's gross profit decreased by approximately 82.4% from approximately RMB56.1 million for the year ended 31 March 2023 to approximately RMB9.9 million for the year ended 31 March 2024. The Group's gross profit margin decreased from approximately 14.2% for the year ended 31 March 2023 to

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approximately 8.5% for the year ended 31 March 2024, primarily attributable to the upward construction cost adjustment made in respect of properties sold in previous years during the year ended 31 March 2024.

The Group changed from profit attributable to the Shareholders of approximately RMB366.0 million for the year ended 31 March 2023 to loss attributable to the Shareholders of approximately RMB193.3 million for the year ended 31 March 2024, primarily attributable to (a) the decrease in revenue and gross profit as stated above; (b) the decrease in other income and gains by approximately RMB541.6 million mainly due to the Group's reversal of write-down of properties under development of approximately RMB545.4 million during the year ended 31 March 2023, where there was no such one-off gain recurred for the year ended 31 March 2024; (c) the increase in finance costs by approximately RMB6.4 million mainly due to the increase in interest on the convertible bonds as a result of a new issuance of HK\$60 million convertible bonds during the year ended 31 March 2024 and the increase in interest on bank and other borrowings resulting from the reversal of interest due to the finalisation of the re-financing arrangement with lenders in the previous year; (d) the increase in other expenses by approximately RMB75.6 million mainly due to the write-down of a property project under development of approximately RMB84.3 million amidst unfavourable market sentiment in the PRC property market; and (e) the increase in change from fair value loss of derivative financial instruments by approximately RMB19.6 million due to the increased volatility of the Company's share price which led to deterioration of its time value attached to the early redemption right feature of the convertible bonds.

Year ended 31 March 2023 compared to year ended 31 March 2022

Total revenue of the Group increased by approximately 251.6% from approximately RMB112.1 million for the year ended 31 March 2022 to approximately RMB394.1 million for the year ended 31 March 2023. Such increase was primarily attributable to the increase in sales of properties by approximately RMB284.1 million mainly due to the completion and delivery of two newly completed property projects during the year while in the previous financial year, the sales of properties were mainly contributed from the sales of remaining property units completed in prior years and no project was newly completed and delivered.

In line with the increase in revenue, the Group's gross profit increased by approximately 76.3% from approximately RMB31.8 million for the year ended 31 March 2022 to approximately RMB56.1 million for the year ended 31 March 2023. However, the Group's gross profit margin decreased from approximately 28.4% for the year ended 31 March 2022 to approximately 14.2% for the year ended 31 March 2023, primarily attributable to the fact that the Group sold certain units at a lower gross profit margin during the year ended 31 March 2023.

The Group recorded a turnaround from loss attributable to the Shareholders of approximately RMB57.0 million for the year ended 31 March 2022 to profit attributable to the Shareholders of approximately RMB366.0 million for the year ended 31 March 2023, primarily attributable to (a) the increase in revenue and gross profit as stated above; (b) the increase in other income and gains by approximately RMB415.9 million mainly due to the increase in the

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Group's reversal of write-down of properties under development by approximately RMB524.7 million during the year ended 31 March 2023; (c) the decrease in finance costs by approximately RMB45.8 million as a result of (1) the repayment of certain loans and entrusted loans during the year; and (2) a reversal of interest due to finalisation of the re-financing arrangement with lenders during the year; and (d) the decrease in fair value loss of derivative financial instruments by approximately RMB36.7 million.

(ii) *Financial position*

	As at 31 March		
	2022	2023	2024
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
Non-current assets, including:	633,756	565,272	516,901
Investment properties	615,800	550,400	486,200
Current assets, including:	1,438,238	1,720,449	1,751,614
Properties under development and completed properties held for sale	1,262,844	1,597,786	1,606,803
Cash and cash equivalents	93,151	69,939	53,635
Total assets	2,071,994	2,285,721	2,268,515
Current liabilities, including:	1,576,760	1,499,626	1,643,598
Trade and other payables	481,876	448,149	490,797
Loans from a controlling shareholder	234,819	354,490	344,849
Loans from related parties	–	–	63,651
Bank and other borrowings	420,697	445,696	420,640
Liability component of the convertible bonds	–	90,052	95,726
Non-current liabilities, including:	450,693	388,483	396,043
Liability component of the convertible bonds	79,267	–	45,950
Bank and other borrowings	290,897	229,000	230,990
Deferred tax liabilities	52,042	131,498	97,905
Total liabilities	2,027,453	1,888,109	2,039,641
Equity attributable to the Shareholders	44,541	397,612	228,874
Gearing ratio (Note)	91.5%	74.2%	80.1%

Note: gearing ratio equals net debt (being the sum of loans from a controlling shareholder, loans from related parties, bank and other borrowings and trade and other payables less the sum of cash and cash equivalents and pledged and restricted deposits) divided by the adjusted capital (being the sum of liability component of the convertible bonds and total equity) plus net debt

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As at 31 March 2024, total assets of the Group amounted to approximately RMB2,268.5 million, which mainly consisted of (a) properties under development and completed properties held for sale of approximately RMB1,606.8 million; (b) cash and cash equivalents of approximately RMB53.6 million; and (c) investment properties of approximately RMB486.2 million, representing certain units of a shopping mall in Baishan city, Jilin province, the PRC.

As at 31 March 2024, total liabilities of the Group amounted to approximately RMB2,039.6 million, which mainly consisted of (a) trade and other payables of approximately RMB490.8 million; (b) loans from a controlling shareholder of approximately RMB344.8 million; and (c) bank and other borrowings of approximately RMB651.6 million.

As at 31 March 2024, the Group had equity attributable to the Shareholders of approximately RMB228.9 million with a gearing ratio of approximately 80.1%.

By taking into account the effect of the revaluation surplus arising from the valuation of the relevant property interests held by the Group as set out in Appendix II to the Circular, set out below is the calculation of the Group's adjusted unaudited consolidated net asset value attributable to the Shareholders:

	RMB'000
Audited consolidated net asset value attributable to the Shareholders as at 31 March 2024	228,874
Adjustment:	
Revaluation surplus arising from the valuation of the relevant property interests held by the Group as at 31 March 2024 based on the property valuation report set out in Appendix II to the Circular (<i>Note</i>)	108,563
Adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders	337,437

Note: this represents the excess of the market value of the relevant property interests held by the Group as at 31 March 2024 over their corresponding net book values as at 31 March 2024.

As at 31 March 2024, the adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders amounted to approximately RMB337.4 million.

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(iii) *Overall comment*

The Group's financial performance has experienced significant fluctuations over the periods under review. Such fluctuations in the Group's revenue and profit attributable to the Shareholders are mainly driven by the Group's delivery and sales of the completed property project and reversal of write-down of properties under development. As at 31 March 2024, the Group had total debt (being the sum of loans from a controlling shareholder, loans from related parties and bank and other borrowings) of approximately RMB1,060.1 million. Although the Group's gearing ratio as at 31 March 2024 has improved compared to that as at 31 March 2022, it still remained at a high level of approximately 80.1%. As disclosed in the 2023 Annual Results, under the uncertainties surrounding the PRC economy and property market and the high gearing position of the Group, the Group will maintain a more prudent approach in developing its businesses and opportunities by (a) replenishing land reserve for the Group's property development; and (b) following closely and monitoring the progress of the Group's cultural tourism property projects located in Changbaishan, Baishan City, Fusong County (the "**Fusong Property Project**"), which are currently under construction in progress, and its funding need. Given the size of the Fusong Property Project and its huge land area, the management of the Group will keep an open-minded attitude towards the development of the project and will closely consider any potential business partners to jointly develop the project, or may even consider to divest the project to any potential investor who wishes to develop independently. Against this backdrop, the future business operation and financial performance of the Group requires a substantial amount of working capital to repay the outstanding loans and support the property development business, so as to maintain the competitiveness and healthy financial position of the Group.

2. Information of the Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability, and is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Cui and Ms. Chai are the ultimate beneficial owners of the Subscriber.

Mr. Cui, aged 58, is a non-executive Director of the Company. Mr. Cui has been the chairman of Ground Investment Holding from 2010 up to now. For the period from 2001 to 2010, Mr. Cui was the chairman of 吉林省廣澤集團有限公司 (Jilin Province Guangze Group Company Limited*). Mr. Cui was working as a manager of 吉林省儲備糧公司長春分公司 (Jilin Province Grain Reserve Company – Changchun Branch) for the period from 1999 to 2001. Mr. Cui graduated from Jilin Agricultural University major in agricultural studies in 1988 and obtained an EMBA degree at Cheung Kong Graduate School of Business in 2008.

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3. Reasons for and benefits of the entering into of the Loan Capitalisation Agreement

With reference to the Letter from the Board, the Group has been proactive in seeking appropriate investment opportunities and conducting prudent project research, due diligence or formulating execution plans on its core business as well as in areas including but not limited to cultural tourism projects and supplementary businesses in mineral water industry and ginseng industry. Nevertheless, the financial performance of the Group has been adversely impacted by the lack of newly completed property project delivered and the decrease in sales of properties, which had in turn led to a significant decrease in the overall revenue and gross profit of the Group (i) for the six months ended 30 September 2023 as compared to that of the corresponding period in 2022; and (ii) for the year ended 31 March 2024 as compared to the year ended 31 March 2023, and a change in the financial position of the Group from profit making to loss making. In light of the persisting uncertainties in the property market of the PRC, the loss position of the Group as well as the aforementioned business plans of the Group, the Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market.

As at 31 March 2024, the Group was in a highly leveraged financial position, having total debt of approximately RMB1,060.1 million (which included the outstanding amount of the Loan of approximately RMB230.0 million) and recording a gearing ratio of approximately 80.1%, as discussed in the section headed “1. Background information of the Group” above. On the other hand, as at 31 March 2024, the Group only had cash and cash equivalents of approximately RMB53.6 million, which were insufficient to cover even the current portion of total debt of approximating RMB829.1 million. Having considered the above, it is conceivable that the Group would have difficulties in satisfying its short-term liabilities with its limited existing financial resources. Although there is no immediate need to repay the Loan, it is a good timing to conduct the Loan Capitalisation as (i) the Subscriber offers the opportunity to the Company to conduct the Loan Capitalisation prior to the maturity of the other debts of the Group, such that the Company may have the ability to obtain further bank borrowings and conduct equity financing for the repayment of the other debts as they fall due, which are not feasible under the current financial position; (ii) the Loan Capitalisation would enable the Group to settle the Loan owed by the Group to the Subscriber (after the Debt Reorganisation) without obtaining additional bank borrowing or utilising its internal financial resources, and thereby lead to an improved financial position of the Group; and (iii) the Loan Capitalisation represents an opportunity for the Group to deleverage in accordance with the industry trend under the Three Red Lines Guidance (as defined below). As disclosed in the Letter from the Board, upon completion of the Loan Capitalisation, the Group’s gearing ratio is expected to decrease from approximately 80.1% as at 31 March 2024 to approximately 67.8%, thereby strengthening its financial position and debt financing capability in the long run.

We have discussed with the management of the Group and were given to understand that the Company had considered alternative means for raising funds to settle the Loan, such as bank borrowings, share placement, rights issue or open offer.

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In respect of bank borrowings, in light of the loss-making position as well as the high gearing ratio and burdened debt position of the Group, it is considered to be infeasible, practically difficult, uncertain and time-consuming for the Company to obtain additional bank borrowings at acceptable finance cost with affordable terms and conditions. In addition, taking into account that obtaining additional bank borrowings (i) would not improve the Group's gearing level but would further incur finance costs, as compared to the Loan Capitalisation which will improve the Group's gearing position without incurring interest expenses; and (ii) generally involve pledge of assets and/or securities which may limit the Group's operational flexibility, we concur with the management of the Group that obtaining further bank borrowings is not a desirable financing alternative for the Group.

In terms of other equity financing options such as a private placement of Shares to independent third party investors or a rights issue or open offer to the existing Shareholders, we understand that (i) pre-emptive fundraising methods such as rights issues or open offers normally take at least five to six weeks, and lengthy discussions with potential underwriters may also be involved; (ii) additional costs, including but not limited to placing fees, underwriting commissions and other administrative and legal expenses, are likely to be incurred; and (iii) under the current volatile market condition and in light of the financial position of the Company which may not be appealing to the market, it is also difficult to ascertain market demand and there is uncertainty in successful equity financing. On the other hand, the Loan Capitalisation (i) will be more expedient and require less discussions/negotiations with external parties; (ii) incurs no additional costs; and (iii) is subject to less completion risk given the Subscriber's intention to capitalise the Loan. In light of the above, we concur with the view of the management of the Group that equity financing is not an appropriate means for raising fund for the Group.

In view of the foregoing, in particular the time and costs that would be incurred, and the uncertainties involved for debt financing and equity financing as compared to that of the Loan Capitalisation, we consider that the Loan Capitalisation is a more appropriate and desirable means in alleviating the financial burden faced by the Company. Although the Company would not raise any proceeds from the Loan Capitalisation, the Loan Capitalisation enables the Company to fully settle the Loan of approximately RMB230.0 million in one go without requiring substantial cash outflow or other external financings for repayment when the Loan falls due.

Having considered that (i) the Loan Capitalisation will allow the Company to settle the Loan in one go without imposing any substantial cash outflow so as to relieve the liquidity and working capital pressure of the Company when the Loan falls due; (ii) the severe shortage of cash and working capital for the repayment of the indebtedness of the Group; (iii) the Loan Capitalisation is an appropriate means of financing option for the Group after considering the respective advantages and disadvantages of each of the financing alternatives as discussed above; (iv) the Subscriber, with its ultimate beneficial owners being the parents of Ms. Cui (the controlling Shareholder of the Company and the chairperson of the Board) is willing to accept the settlement of the Loan by way of the Loan Capitalisation which in turn demonstrated their faith and confidence in the Group's business operation; and (v) the terms of the Loan Capitalisation Agreement are generally in line with the recent market practice as discussed in the sub-section headed "7. Assessment of the Capitalisation Price - (iv) Comparable companies" below, we concur with the Directors that the terms of the Loan Capitalisation Agreement are fair and reasonable and although the entering into of the Loan Capitalisation Agreement is not conducted in the ordinary and usual course of the business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

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4. Industry overview

Over the past years, the PRC real estate developers have aggressively increased their debt levels to acquire lands to build their land banks, leading to higher land and property prices. To establish the long-term mechanism for healthy and sustainable development of the PRC real estate market and maintain the long-term stability of housing prices, the Chinese government imposed the three red lines guidance (the “**Three Red Lines Guidance**”) on real estate developers by assessing their financial situation against three ratios, namely liability-to-asset ratio, net gearing ratio and cash-to-short-term debt ratio, in August 2020. Many real estate developers had to deleverage so as to comply with the requirements under the Three Red Lines Guidance, which has adversely affected their liquidity and therefore demand for lands. As advised by the management of the Group, the Group has followed the Three Red Lines Guidance to deleverage its financial position.

According to the National Bureau of Statistics, for the four months ended 30 April 2024, total investment in property development and sales area of commodity properties in the PRC decreased by approximately 9.8% and 28.3%, respectively, as compared to the corresponding period in 2023. During the same period, total investment in property development and sales area of commodity properties in the Northeast of the PRC (i.e. the region where the Group’s principal business and properties are located) decreased by approximately 20.6% and 21.3%, respectively, as compared to the corresponding period in 2023. This was primarily attributable to the introduction and effecting of various regulations and policies including the “Three Red Lines” policy and recent debt default of certain large property developers which have adversely affected the Chinese property market, including the property market in the Northeast of the PRC. In addition, Moody’s has downgraded the outlook for the Chinese economy from stable to negative in late 2023, as a result of persistently lower medium-term economic growth and the ongoing downsizing of the property sector in the economy.

In summary, taking into account that (i) the current demand and investment atmosphere in the property market in the PRC and the Northeast of the PRC appeared to be pessimistic; (ii) it is unlikely for the Chinese government to significantly ease its restriction policies, especially the Three Red Lines Guidance which is still effective as at the Latest Practicable Date; and (iii) the persistently lower medium-term economic growth of the PRC, we consider that the prospects of the property market in the PRC and the Northeast of the PRC, as well as the Group’s businesses, to be uncertain in the short run.

5. Principal terms of the Loan Capitalisation Agreement

Set out below are the principal terms of the Loan Capitalisation Agreement. Independent Shareholders are advised to read further details of the Loan Capitalisation Agreement as set out in the Letter from the Board:

Date	:	25 April 2024
Parties	:	(i) the Subscriber as the subscriber; and (ii) the Company as the issuer

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As at the Latest Practicable Date, the ultimate beneficial owners of the Subscriber are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui, the chairperson of the Board and the executive Director; and (ii) Ms. Chai, who is the spouse of Mr. Cui and the mother of Ms. Cui. Hence, the Subscriber is a connected person of the Company.

Total consideration	:	HK\$253 million (equivalent to approximately RMB230 million)
Number of Capitalisation Shares to be allotted and issued	:	5,060,000,000 Capitalisation Shares
Capitalisation Price per Capitalisation Share	:	HK\$0.05

As at the Latest Practicable Date, Jilin Rongyu, an indirect wholly-owned subsidiary of the Company, was indebted to Ground Investment Holding, the entire issued share capital of which is owned by Mr. Cui and Ms. Chai, the Loan in the amount of approximately RMB230 million (equivalent to approximately HK\$253 million). The Loan is unsecured, interest free and repayable on or before 28 February 2025. The Loan was provided to Jilin Rongyu by Ground Investment Holding for the purpose of the Group's general working capital requirement, primarily for the repayment of the Group's bank borrowings and finance costs. As at the Latest Practicable Date, the entire issued share capital of Ground Investment Holding was owned as to 75% by Jilin Dongxiu, a company beneficially wholly-owned by Mr. Cui, the non-executive Director and the father of Ms. Cui, and as to 25% by Changchun Dongxiu, a company beneficially owned as to approximately 4.55% and approximately 95.45% by Mr. Cui and Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui, respectively. For details of the Loan, please refer to the section headed "Information on the Loan" in the Letter from the Board.

It is proposed that the Debt Reorganisation shall be conducted among (i) the Company; (ii) Jilin Rongyu; (iii) Ground Investment Holding; and (iv) the Subscriber regarding the Loan, pursuant to which (i) the Loan owing to Ground Investment Holding by Jilin Rongyu shall be novated to, and borne by, the Company; and (ii) the rights of Ground Investment Holding as creditor of the Loan shall be assigned to the Subscriber.

Upon the completion of the Debt Reorganisation, the Company would be directly indebted to the Subscriber in the sum of the Loan. Subject to the completion of the Debt Reorganisation, the Company will issue to the Subscriber the Capitalisation Shares at the Capitalisation Price, which shall be satisfied by capitalising, and setting off against, the Loan in full on a dollar-for-dollar basis upon completion of the Loan Capitalisation Agreement.

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Taking into account that (i) the terms of the Loan Capitalisation Agreement are generally in line with the recent market practice as discussed in the sub-section headed “7. Assessment of the Capitalisation Price – (iv) Comparable companies” below; (ii) the dilution effect on the shareholding interests of existing public Shareholders arising from the Loan Capitalisation is acceptable to be discussed in the section headed “8. Potential dilution effect on the shareholding interests of the Independent Shareholders” below; and (iii) the reasons for and benefits of the Loan Capitalisation as discussed in the section headed “3. Reasons for and benefits of the entering into of the Loan Capitalisation Agreement” above, we consider that the terms of the Loan Capitalisation Agreement are fair and reasonable.

6. Capital-raising activities in the past 12 months

On 23 June 2023, the Company issued convertible bonds with an aggregate principal amount of HK\$60.0 million to no less than six placees who are independent third parties not acting in concert with the Concert Party Group (i.e. the 2023 Convertible Bonds). The 2023 Convertible Bonds carry a coupon of 6% per annum and matures on the date falling on the expiration of the third anniversary of the issue date. The Company received net proceeds from the placing of approximately HK\$58.3 million (equivalent to approximately RMB54.1 million), which has been substantially utilised as planned and applied as to (i) approximately RMB30.8 million has been applied for the acquisition of ginseng assets and investment in a mineral water project, all of which has been utilised; (ii) approximately RMB19.5 million has been applied for repayment of the Group’s indebtedness and finance cost, of which approximately RMB18.7 million has been utilised; and (iii) approximately RMB3.8 million has been applied for general working capital of the Group, all of which has been utilised. For details, please refer to the section headed “Fund-raising activities of the Company during the past twelve months” in the Letter from the Board.

Saved as disclosed above, the Company had not conducted any equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

7. Assessment of the Capitalisation Price

The Capitalisation Price of HK\$0.05 per Capitalisation Share represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$0.045 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 19.05% over the closing price of HK\$0.042 per Share as quoted on the Stock Exchange on 25 April 2024, being the date of the Loan Capitalisation Agreement (the “**Last Trading Day**”);
- (iii) a premium of approximately 6.38% over the average closing price of HK\$0.047 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (iv) a discount of approximately 3.29% to the average closing price of HK\$0.0517 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;

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- (v) a discount of approximately 15.68% to the average closing price of HK\$0.0593 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (vi) a discount of approximately 30.07% to the average closing price of HK\$0.0715 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (vii) a discount of approximately 46.35% to the average closing price of HK\$0.0932 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (viii) a discount of approximately 66.17% to the average closing price of HK\$0.1478 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (ix) a discount of approximately 83.18% to the average closing price of HK\$0.2973 per Share as quoted on the Stock Exchange for the last 360 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement;
- (x) there is no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the theoretical diluted price of approximately HK\$0.0482 per Share is higher than the benchmarked price of approximately HK\$0.047 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (a) the closing price of the Shares as quoted on the Stock Exchange on the date of the Loan Capitalisation Agreement of HK\$0.042 per Share; and (b) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement of HK\$0.047 per Share);
- (xi) there is no theoretical dilution effect as the theoretical diluted price of approximately HK\$0.0482 per Share is higher than the closing price as at the Latest Practicable Date of HK\$0.045 per Share;
- (xii) a premium of approximately 45.77% over the Group's audited net assets per Share of approximately HK\$0.0343 (equivalent to approximately RMB0.0318 at the exchange rate of HK\$1 = RMB0.9284) as at 31 March 2024 based on the 7,203,638,808 Shares in issue as at 31 March 2024, being the date to which the latest published audited accounts of the Company were made up; and
- (xiii) a discount of approximately 0.79% to the Group's adjusted unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0504 per Share (equivalent to approximately RMB0.0468 at the exchange rate of HK\$1 = RMB0.9284) as at 31 March 2024 based on (a) the 7,203,638,808 Shares in issue as at the Latest Practicable Date; and (b) the adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately RMB337.4 million.

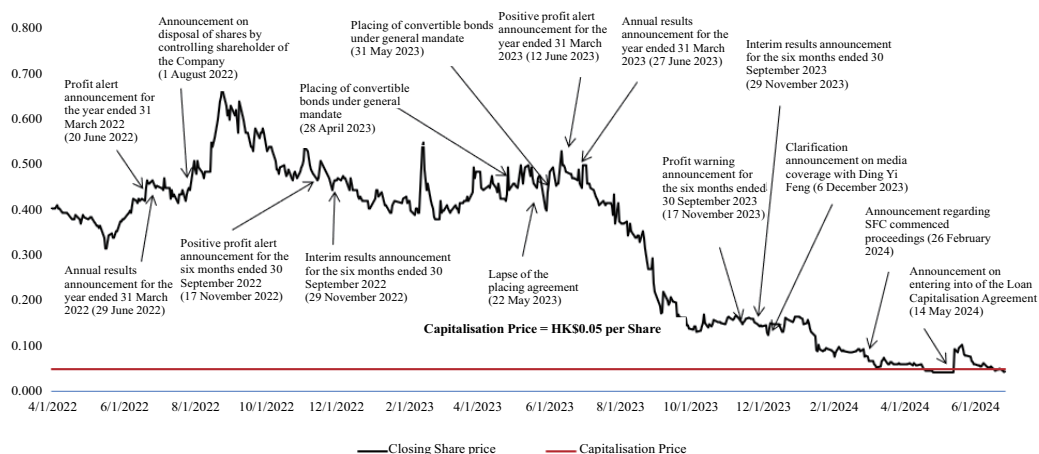
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The Capitalisation Price was determined after arm's length negotiations between the Company and the Subscriber with reference to (i) the recent and historical market prices of the Shares; (ii) the outstanding amount of the Loan; (iii) the market conditions, which suggest that it would be difficult for the Company to pursue sizeable equity financing alternative in the stock market; and (iv) the financial position of the Group, having considered that the audited net assets of the Group of approximately RMB228.9 million and the amount of cash and cash equivalents of approximately RMB53.6 million as at 31 March 2024.

(i) *Historical Share price performance*

In order to assess the fairness and reasonableness of the Capitalisation Price, we have performed a review on the daily closing prices of the Shares from 1 April 2022 to the Last Trading Day (i.e. 25 April 2024) (the “**Review Period**”), being approximately two years period, and up to the Latest Practicable Date. We consider the Review Period is adequate, fair and representative to reflect the prevailing market sentiment primarily and illustrate the general trend and level of movement of the daily closing prices of the Shares.

Set out below is the chart showing the movements of daily closing prices of the Shares during the Review Period:



Source: the website of the Stock Exchange

As shown above, the closing prices of the Shares were above the Capitalisation Price at almost all times during the Review Period (499 days out of 506 days), ranging from HK\$0.042 per Share on 25 April 2024 (i.e. the Last Trading Day) to HK\$0.67 per Share on 25 August 2022. In other words, the Capitalisation Price to/over the closing prices of the Shares ranged from a discount of approximately 92.54% to a premium of approximately 19.05% during the Review Period.

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The closing price of the Shares fluctuated between HK\$0.315 per Share and HK\$0.425 per Share from 1 April 2022 to 20 June 2022 and closed at HK\$0.42 per Share on 20 June 2022. Following the publication of the profit alert announcement and annual results announcement for the year ended 31 March 2022 on 20 June 2022 and 29 June 2022, respectively, the Share price experienced an upward trend and reached the highest of HK\$0.67 per Share on 25 August 2022. Thereafter, it dropped to HK\$0.465 per Share on 25 October 2022 and fluctuated between HK\$0.38 per Share and HK\$0.55 per Share from 25 October 2022 to 3 July 2023. Based on our discussion with the management of the Group, such fluctuation may be due to the Company's publication of (a) the positive profit alert announcement and interim results announcement for the six months ended 30 September 2022 dated 17 November 2022 and 29 November 2022, respectively; (b) the announcements in relation to placing of convertible bonds under general mandate dated 28 April 2023 and 31 May 2023; and (c) the positive profit alert announcement and annual results announcement for the year ended 31 March 2023 dated 12 June 2023 and 27 June 2023, respectively. From then on, the Share price generally exhibited a downward trend and hit the lowest of HK\$0.042 per Share on 25 April 2024. Such downward trend may due to (a) the publication of the profit warning announcement and interim results announcement for the six months ended 30 September 2023 on 17 November 2023 and 29 November 2023, respectively; (b) the media coverage in December 2023 on the notice issued by the Shenzhen Municipal Financial Regulatory Bureau (深圳市地方金融监督管理局) regarding the risk of illegal fundraising of Ding Yi Feng (鼎益豐) under which has a branch known as “華音”, which has a similar name as the Company. The Company has clarified that the Directors do not consider the Company or any of its subsidiaries should be taken as a “branch” or a subsidiary of Ding Yi Feng Holdings Group International Limited or any entity carrying the name “鼎益豐”. None of the Company or any of its subsidiaries have carried out nor involve in any alleged wrongdoing or misconduct as stated in the above notice. For details, please refer to the Company's clarification announcement dated 6 December 2023; and (c) the announcement dated 26 February 2024 regarding the SFC having commenced proceedings against a then non-executive Director. Immediately following the publication of the Announcement, the Share price surged substantially from HK\$0.042 on 25 April 2024 (i.e. the Last Trading Day) to HK\$0.095 on 14 May 2024, representing a premium of 90.0% over the Capitalisation Price. We consider such surge indicates a positive market response to the Loan Capitalisation. Nevertheless, as the Loan Capitalisation is subject to conditions and may or may not proceed, the Share price gradually dropped following the publication of the Announcement, and dropped to HK\$0.045 as at the Latest Practicable Date.

As at the Last Trading Day and the Latest Practicable Date, the Share price per Share closed at HK\$0.042 and HK\$0.045, respectively, representing a discount of approximately 16.00% and 10.00% to the Capitalisation Price, respectively.

(ii) *Historical trading liquidity of the Shares*

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the period from 1 April 2022 to the Latest Practicable Date:

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	Number of trading days <i>(Note 1)</i>	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of Shares held by the public <i>(Note 3)</i>
2022				
April	18	564,178	0.0083%	0.0162%
May	20	1,019,780	0.0151%	0.0292%
June	21	2,834,095	0.0419%	0.0812%
July	20	963,135	0.0134%	0.0245%
August	23	4,560,826	0.0633%	0.1160%
September	21	1,390,743	0.0193%	0.0354%
October	20	1,162,940	0.0161%	0.0296%
November	22	1,050,091	0.0146%	0.0267%
December	20	594,896	0.0083%	0.0151%
2023				
January	18	474,800	0.0066%	0.0121%
February	20	2,043,700	0.0284%	0.0520%
March	23	867,287	0.0120%	0.0221%
April	17	1,037,739	0.0144%	0.0264%
May	21	2,161,952	0.0300%	0.0550%
June	21	2,687,743	0.0373%	0.0684%
July	20	3,326,615	0.0462%	0.0846%
August	23	1,474,261	0.0205%	0.0375%
September	19	3,823,758	0.0531%	0.0973%
October	20	2,349,150	0.0326%	0.0597%
November	22	1,081,982	0.0150%	0.0275%
December	19	1,247,453	0.0173%	0.0317%
2024				
January	22	1,820,318	0.0253%	0.0463%
February	19	1,415,737	0.0197%	0.0360%
March	20	2,088,815	0.0290%	0.0531%
April	17	1,077,969	0.0150%	0.0274%
May	13	6,734,308	0.0935%	0.1713%
From 3 June to the Latest Practicable Date	17	772,682	0.0107%	0.0197%

Source: the website of the Stock Exchange

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Notes:

1. Number of trading days of the Shares represents number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day (if applicable).
2. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
3. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by the Concert Party Group and Hong Kong Toprich Investment Limited as at the Latest Practicable Date.

As illustrated in the table above, the trading of the Shares was generally inactive during the period from 1 April 2022 to the Latest Practicable Date. The average daily trading volume for the respective month or period during the above period ranged from approximately 474,800 Shares in January 2023 to approximately 6,734,308 Shares in May 2024, representing approximately 0.0066% to 0.0935% of the total number of the Shares in issue and approximately 0.0121% to 0.1731% of the total number of the Shares held by the public, respectively.

The thin trading liquidity of the Shares during the Review Period suggests that when the Company explores substantial equity financing in the stock market as an alternative to raise funds for settling the Loan, potential investors will likely seek more significant incentives, including more substantial discount on the subscription price relative to the prevailing market price of the Shares, to encourage their participation in these fundraising activities. As such, we consider that it is reasonable for the Capitalisation Price to be set at a discount to the prevailing historical closing prices of the Shares to balance the low liquidity of the Shares during the Review Period.

(iii) Comparable transactions

In order to further assess the fairness and reasonableness of the Capitalisation Price, we have reviewed the recent market practices which (a) involved subscription of new shares with at least 75% of the proceeds allocated for debt repayment, and involved whitewash application; and (b) were announced by the companies listed on the Main Board of the Stock Exchange for the period from 1 April 2023 up to the Last Trading Day (being approximately one year). We have identified an exhaustive list of three transactions (the “**Comparable Transactions**”).

However, we noted that the listed issuers involved in the Comparable Transactions have different principal activities and market capitalisations as compared to those of the Company, and there were only three Comparable Transactions that could be identified. Accordingly, we consider that the comparison of the Capitalisation Price with the Comparable Transactions may only provide limited value to the Shareholders. Shareholders shall only regard the comparison results of the Capitalisation Price with the Comparable Transactions as a general reference for recent subscription of new shares exercises for debt repayment involving whitewash application.

The details of the Comparable Transactions are set out below:

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Date of announcement	Company name (stock code)	Principal business activities	Name and amount of the debts (percentage of use of proceeds for the settlement of the debts)	Cometel transaction	Whether shareholders' approval is required	Dilution effect of the subscription of new shares on public shareholders (Note 1)	Premium/(discount) of the subscription price over to the closing price on prior to the date of the corresponding agreement (%)	Premium/(discount) of the subscription price over to the average closing price per share for the last five consecutive trading days prior to and including the date of the corresponding agreement (%)	Premium/(discount) of the subscription price over to the average closing price per share for the last 30 consecutive trading days prior to and including the date of the corresponding agreement (%)	Premium/(discount) of the subscription price over to the average closing price per share for the last 60 consecutive trading days prior to and including the date of the corresponding agreement (%)	Premium/(discount) of the subscription price over to the average closing price per share for the last 90 consecutive trading days prior to and including the date of the corresponding agreement	Premium/(discount) of the subscription price over to the average closing price per share for the last 180 consecutive trading days prior to and including the date of the corresponding agreement	Discount of the subscription price to the net asset value or adjusted net asset value (if applicable) per share
18 March 2024	China Qian Gongqing Holdings Limited (1280.HK)	Retail of household appliance, mobile phones, computers, import and general mechanics and provision of maintenance and repair services, the education-related training business	Approximately HK\$185.0 million payable under the shareholders loan (100%)	Yes	Yes	39.28	(31.37)	(31.64)	(42.24)	(63.84)	(76.93)	(72.51)	Nil liability (Note 2)
7 February 2024	Evon Energy International Holdings Limited (1102.HK)	Supply of construction essential business	Approximately HK\$44.8 million owed by the company to the subscribers (100%)	Yes	Yes	43.94	(0.17)	(5.66)	11.36	19.24	11.75	(5.94)	Nil liability (Note 2)
27 September 2023	China Greenland Road Greentake Group Company Limited (1251.HK)	Services of landscape design and gardening and the related services	Approximately US\$39.1 million owed by the company to the subscriber (100%)	Yes	Yes	15.41	(6.67)	(6.54)	(15.25)	(28.94)	(33.14)	(32.68)	(43.20) (Note 4)
14 May 2024	The Company	Property development, management, and investment	Approximately HK\$523.0 million owed by the Company to the Subscriber upon completion of the IPO4 Reorganisation (100%)	Yes	Yes	22.54	19.05	6.28	(15.68)	(30.07)	(46.35)	(66.17)	(0.29) (Note 3)

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Source: Bloomberg and the website of the Stock Exchange

Notes:

1. *The dilution effect on public shareholders is calculated as the difference of the shareholdings of public shareholders of the respective companies involved in the Comparable Transactions as at the date of the relevant announcements and immediately after the completions of the respective debt/loan capitalisation.*
2. *China Qidian Guofeng Holdings Limited (1280.HK) recorded net liabilities as at 31 December 2023.*
3. *Enviro Energy International Holdings Limited (1102.HK) recorded adjusted net liabilities as at 31 December 2023.*
4. *Discount to the audited net asset value attributable to the shareholders of China Greenland Broad Greenstate Group Company Limited (1253.HK) share as at 30 June 2023.*
5. *By taking into account the effect of revaluation surplus arising from the valuation of the relevant property interests held by the Group as at 31 March 2024, the Group's adjusted unaudited consolidated net asset value attributable to the Shareholders per Share amounted to approximately HK\$0.0504, the calculation of which is set out in this section above.*

As set out in the table above, we noted that:

- (a) the subscription price to the closing price on/prior to the date of the corresponding agreement of the Comparable Transactions ranged from a discount of approximately 31.37% to approximately 10.71%, with a median discount of approximately 16.67% and an average discount of approximately 19.58%. The premium of approximately 19.05% as represented by the Capitalisation Price over the closing price of the Shares on the date of the Loan Capitalisation Agreement is better than the all of the Comparable Transactions;
- (b) the subscription price to the average closing price for the last five consecutive trading days prior to/up to and including the date of the corresponding agreement of the Comparable Transactions ranged from a discount of approximately 31.64% to approximately 5.66%, with a median discount of approximately 6.54% and an average discount of approximately 14.61%. The premium of approximately 6.38% as represented by the Capitalisation Price over the average closing price of the Shares for the last five consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement is better than all of the Comparable Transactions;

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- (c) the subscription price to/over the average closing price for the last 30 consecutive trading days prior to/up to and including the date of the corresponding agreement of the Comparable Transactions ranged from a discount of approximately 42.24% to a premium of approximately 11.36%, with a median discount of approximately 15.25% and an average discount of approximately 15.38%. The discount of approximately 15.68% as represented by the Capitalisation Price to the average closing price of the Shares for the last 30 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement is close to the median and average discounts of the Comparable Transactions;
- (d) the subscription price to/over the average closing price for the last 60 consecutive trading days prior to/up to and including the date of the corresponding agreement of the Comparable Transactions ranged from a discount of approximately 63.84% to a premium of approximately 19.24%, with a median discount of approximately 28.94% and an average discount of approximately 24.51%. The discount of approximately 30.07% as represented by the Capitalisation Price to the average closing price of the Shares for the last 60 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement is slightly higher than the median discount and higher than the average discount of the Comparable Transactions;
- (e) the subscription price to/over the average closing price for the last 90 consecutive trading days prior to/up to and including the date of the corresponding agreement of the Comparable Transactions ranged from a discount of approximately 76.93% to a premium of approximately 11.75%, with a median discount of approximately 33.14% and an average discount of approximately 32.77%. The discount of approximately 46.35% as represented by the Capitalisation Price to the average closing price of the Shares for the last 90 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement is higher than the median and average discounts of the Comparable Transactions;
- (f) the subscription price to the average closing price for the last 180 consecutive trading days prior to/up to and including the date of the corresponding agreement of the Comparable Transactions ranged from a discount of approximately 72.51% to approximately 5.94%, with a median discount of approximately 32.68% and an average discount of approximately 37.04%. The discount of approximately 66.17% as represented by the Capitalisation Price to the average closing price of the Shares for the last 180 consecutive trading days immediately prior to the date of the Loan Capitalisation Agreement is substantially higher than the median and average discounts of the Comparable Transactions; and

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- (g) as two of the Comparable Transactions recorded net liabilities or adjusted net liabilities, the remaining Comparable Transaction has its subscription price represented a discount of approximately 42.30% to its net asset value per share. The discount of approximately 0.79% as represented by the Capitalisation Price to the adjusted net asset value attributable to the Shareholders per Share of the Group is smaller than the Comparable Transaction.

(iv) *Comparable companies*

The Group is principally engaged in the property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment in the PRC.

Price-to-earnings (“P/E(s)”), price-to-book (“P/B(s)”) and price-to-sale (“P/S(s)”) multiples are the three most commonly used benchmarks in valuing a company. P/E is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies, banks and money lenders whereas P/S is appropriate for valuing companies which have volatile earnings or loss but relatively stable revenue such as retailers offering general merchandise.

Given that (a) the Group was loss making for the year ended 31 March 2024; (b) the Group recorded net assets position as at 31 March 2024; and (c) the Group recorded volatile revenue for the three years ended 31 March 2024, we consider the valuation methodology using P/B is more appropriate in valuing the Group. Based on (a) the Capitalisation Price of HK\$0.05 per Share; (b) 7,203,638,808 Shares in issue as at the Latest Practicable Date; (c) the adjusted unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately RMB337.4 million as at 31 March 2024; and (d) the exchange rate of HK\$1=RMB0.9 for illustrative purpose, the P/B implied by the Capitalisation Price is approximately 0.96 time (the “**Implied P/B**”).

In evaluating the fairness and reasonableness of the Capitalisation Price, we have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the “**Comparable Companies**”) which (a) are principally engaged in the property development in the PRC; (b) have their shares listed and traded on the Main Board of the Stock Exchange; (c) had positive net asset value attributable to the shareholders in the latest financial year; and (d) has market capitalisation not exceeding HK\$1,000 million as at the Last Trading Day. Based on the aforesaid criteria, we have identified 16 Comparable Companies, which represents an exhaustive list.

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The following table set out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation as at the Last Trading Day (HK\$ million)	P/B (Note 1) (times)
KWG Group Holdings Limited (1813.HK)	Property development, property investment and hotel operation	871.8	0.06
Weiye Holdings Limited (1570.HK)	Development of residential projects	623.7	0.44
Zhongliang Holdings Group Company Limited (2772.HK)	Real estate development	616.1	0.08
Greenland Hong Kong Holdings Limited (337.HK)	Development for sale and rental of properties and related services and the operation of hotels	536.0	0.04
China SCE Group Holdings Limited (1966.HK)	Property development, property investment and property management	502.5	0.05
Yuzhou Group Holdings Company Limited (1628.HK)	Property development	412.3	0.86
Times China Holdings Limited (1233.HK)	Property development	311.1	0.44
Sino Harbour Holdings Group Limited (1663.HK)	Property development	303.1	0.16
Ganglong China Property Group Limited (6968.HK)	Property development and sale	207.6	0.05

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Company name (stock code)	Principal activities	Market capitalisation as at the Last Trading Day (HK\$ million)	P/B (Note 1) (times)
Redsun Properties Group Limited (1996.HK)	Property development, commercial property investment and operations and hotel operations	190.3	0.04
Chen Xing Development Holdings Limited (2286.HK)	Property development	177.0	0.11
Huijing Holdings Company Limited (9968.HK)	Real estate development	141.9	10.48
Glory Health Industry Limited (2329.HK)	Property development	137.8	0.01
Golden Wheel Tiandi Holdings Company Limited (1232.HK)	Property development, property leasing and hotel operation	50.4	0.06
Sanxun Holdings Group Limited (6611.HK)	Property development	42.6	0.03
Jingrui Holdings Limited (1862.HK)	Property development	33.9	0.20

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Company name (stock code)	Principal activities	Market capitalisation as at the Last Trading Day (HK\$ million)	P/B (Note 1) (times)
		Maximum	10.48
		Minimum	0.01
		Average	0.82
		Median	0.07
	The Company	360.2 Implied by the Capitalisation Price	0.96 (Note 2)

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. For each of the Comparable Companies, its P/B is calculated based on (a) the market capitalisation as at the Last Trading Day; (b) the equity attributable for the Shareholders as at the end of the latest financial year; and (c) the exchange rate of HK\$1=RMB0.9 for illustrative purpose; and
2. Being the Implied P/B.

As shown in the table above, the P/Bs of the Comparable Companies ranged from approximately 0.01 time to approximately 10.48 times with an average and median of approximately 0.82 time and 0.07 time, respectively, on the Last Trading Day. The Implied P/B of approximately 0.96 time is within the range of the P/Bs of the Comparable Companies and lies towards the high end of the P/Bs of the Comparable Companies.

As such, we consider the Capitalisation Price was determined with reference to the prevailing market valuation of the Comparable Companies, which we consider to be fair and reasonable so far as the Independent Shareholders are concerned.

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In conclusion, although it is noted that the Capitalisation Price is below the closing Share prices during the majority of the trading days in the Review Period (499 days out of 506 days) and appears to represent the low end of the Company's historical share price performance, we consider that the Capitalisation Price should be assessed together with the prevailing market conditions and the most recent financial performance of the Group. As disclosed in the 2023 Annual Results, under the uncertainties surrounding the PRC economy and property market and the high gearing position of the Group, the Group will maintain a more prudent approach in developing its businesses and opportunities by (i) replenishing land reserve for the Group's property development; and (ii) following closely and monitoring the progress of the Group's Fusong Property Project and its funding need. Given the size of the Fusong Property Project and its huge land area, the management of the Group will keep an open-minded attitude towards the development of the project and will closely consider any potential business partners to jointly develop the project, or may even consider to divest the project to any potential investor who wishes to develop independently.

Taking into account:

- (i) that as discussed in the sub-section headed "(iv) Comparable companies" above, the Implied P/B is within the range of the Comparable Companies and lies toward the high end of P/Bs of the Comparable Companies which indicates that the Capitalisation Price is determined at a level higher than the industry average;
- (ii) the declining trend of the Share price of the Company and the thin trading liquidity during the Review Period;
- (iii) the Group's deteriorating financial performance for the year ended 31 March 2024 and highly leveraged financial position as at 31 March 2024, in particular, that the Group had a relatively low cash position compared to its short-term liabilities (which included the outstanding amount of the Loan of approximately RMB230.0 million) as at 31 March 2024; and
- (iv) as discussed in the section headed "4. Industry overview" above, the prospects of the property market in the PRC and the Northeast of the PRC, as well as the Group's businesses are considered to be uncertain in the short run,

we are of the view that the Capitalisation Price is fair and reasonable.

8. Potential dilution effect on the shareholding interests of the Independent Shareholders

As at the Latest Practicable Date, other than (i) the convertible bonds issued on 14 December 2021 in an aggregate principal amount of HK\$103,076,730 and convertible into Shares at a conversion price of HK\$0.39 each (i.e. the 2021 Convertible Bonds); (ii) the 2023 Convertible Bonds; and (iii) 51,400,000 share options granted under the share options scheme of the Company, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

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The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Loan Capitalisation assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and date of the allotment and issue of the Capitalisation Shares, is set out below:

	As at the Latest Practicable Date		Immediately after completion of the Loan Capitalisation	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Substantial Shareholder				
Charm Success (<i>Note 1</i>)	434,320,694	6.03	434,320,694	3.54
Ka Yik (<i>Notes 1 & 2</i>)	1,794,780,371	24.91	1,794,780,371	14.64
Ms. Chai	850,000	0.01	850,000	0.01
The Subscriber (<i>Note 3</i>)	–	–	5,060,000,000	41.26
Sub-total (The Concert Party Group)	<u>2,229,951,065</u>	<u>30.95</u>	<u>7,289,951,065</u>	<u>59.45</u>
Hong Kong Toprich Investment Limited (<i>Note 4</i>)	1,042,000,000	14.46	1,042,000,000	8.50
Public Shareholders				
Public shareholders	<u>3,931,687,743</u>	<u>54.59</u>	<u>3,931,687,743</u>	<u>32.05</u>
Total	<u><u>7,203,638,808</u></u>	<u><u>100.00</u></u>	<u><u>12,263,638,808</u></u>	<u><u>100.00</u></u>

Notes:

- Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited, which is in turn wholly held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of part XV of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik.
- Ka Yik entered into a sale and purchase agreement (the “SPA”) on 29 July 2022 pursuant to which Ka Yik agreed to sell 1,000,000,000 Shares (representing approximately 13.88% of the total issued share capital of the Company as at the Latest Practicable Date) to Tianfeng International Holding Limited (“Tianfeng”). Tianfeng is a company wholly owned by Jilin Wanding Holdings Group Co., Ltd.*, which 90%, 5% and 5% of its shares are owned by (i) Mr. Sui Guangyi (“Mr. Sui”), a former non-executive Director, not acting in concert with the Concert Party Group; (ii) Mr. Wang Jian (王健), an independent third party not acting in concert with the Concert Party Group; and (iii) Ms. Wang Min (王敏), an independent third party not acting in concert with the Concert Party Group, respectively. As at the Latest Practicable Date, while Tianfeng shall be deemed to be interested in those 1,000,000,000 shares via its interests in SPA, as Tianfeng has not yet fulfilled all of the obligations undertaken by it, (i.e. the only outstanding obligation being the undertaking by Tianfeng to procure the Group to discharge any corporate guarantee given by Ka Yik or its associates as a security for the Group’s borrowing when fall due or upon re-financing), notwithstanding the consideration payable by Tianfeng under the SPA has been fully settled, the completion of the SPA has not taken place and the transaction has not completed yet. Accordingly, Ka Yik remains to be the legal and beneficial owner of the 1,000,000,000 Shares as at the Latest Practicable Date.

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3. The Subscriber is a wholly-owned subsidiary of Ground Investment Holding, which is in turn held as to 75% by 吉林省東秀投資有限公司 (Jilin Dongxiu Investment Limited*), a company beneficially wholly-owned by Mr. Cui, and as to 25% by 長春市東秀投資有限公司 (Changchun Dongxiu Investment Limited*), a company beneficially owned as to approximately 4.55% by Mr. Cui and as to 95.45% by Ms. Chai. The Subscriber is considered to be the controlled corporation of Jilin Dongxiu. Mr. Cui, the non-executive Director, through his shareholding in Jilin Dongxiu and being one of the ultimate beneficial owners of the Subscriber, is deemed to be interested in the securities held by the Subscriber by virtue of Part XV of the SFO.
4. These 1,042,000,000 Shares are held by Hong Kong Toprich Investment Limited, which is in turn wholly owned by Final Destination Limited, which is in turn wholly owned by Eternity Sky Limited, which is in turn wholly owned by Flying Goddess Limited, which is in turn wholly owned by Ding Yi Feng Holdings Group International Limited, a company the shares of which are listed on the Main Board of the Stock Exchange and approximately 22.26% of shares of which is held by/deemed to be held by Mr. Sui by virtue of Part XV of the SFO.
5. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As shown in the above table, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 54.59% as at the Latest Practicable Date to approximately 32.05% immediately after completion of the Loan Capitalisation. Nonetheless, taking into account that (i) the Loan Capitalisation can relieve part of the Group's existing borrowings without depleting its existing financial resources; (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the financial position of the Group; and (iii) as disclosed in the sub-section headed "7. Assessment of the Capitalisation Price - (iii) Comparable transactions" above, the potential dilution effect of the Loan Capitalisation on public Shareholders of approximately 22.54% is smaller than the median and average of those of the Comparable Transactions, we are of the view that the potential dilution effect on the shareholding interests of the existing public Shareholders to be acceptable.

9. Financial effects of the Loan Capitalisation

(i) *Effect on total liabilities and net asset value*

According to the 2023 Annual Results, the audited total liabilities and net asset value attributable to the Shareholders was approximately RMB2,039.6 million and RMB228.9 million as at 31 March 2024, respectively. Assuming the Group will not incur new borrowings and no other settlement will be made on the Group's liabilities, the Group's total liabilities will be decreased by the amount of the Loan of approximately RMB230.0 million upon completion of the Loan Capitalisation. In light of the decrease of total liabilities, the net asset value attributable to owners of the Company will also be enhanced by the amount of the Loan of approximately RMB230.0 million. We consider that the Loan Capitalisation will result in an overall improvement on the Group's net assets position.

(ii) *Effect on debt to total equity ratio*

As discussed in the section headed "1. Background information of the Group" above, the gearing ratio of the Group was approximately 80.1% as at 31 March 2024. Upon completion of the Loan Capitalisation, the gearing ratio is expected to improve to approximately 67.8% as the total

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amount of debts of the Group would decrease by approximately RMB230.0 million, being the amount of the Loan and the total equity of the Group will be enlarged by the allotment and issue of the Capitalisation Shares. We, therefore, consider that the Loan Capitalisation will have an overall improvement on the gearing ratio of the Group.

(iii) Effect on working capital

As the Loan will be fully settled by way of allotment and issue of the Capitalisation Shares without incurring any cash outflow (save and except the professional fees in relation to the Loan Capitalisation) by the Group, the Loan Capitalisation would enable the Company to free the cash flow on its general working capital, for repayment of other borrowings and/or development of its business without affecting the working capital of the Company. Accordingly, the cash and liquidity positions of the Group are expected to improve upon completion of the Loan Capitalisation.

Although the above analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Loan Capitalisation, based on the above analyses, the Loan Capitalisation would have a positive impact on the Group's net asset value, gearing ratio and working capital. On such bases, we are of the view that the entering into of the Loan Capitalisation Agreement is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

10. The Whitewash Waiver

As at the Latest Practicable Date, the ultimate beneficial owners of the Subscriber are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui; and (ii) Ms. Chai, the spouse of Mr. Cui and the mother of Ms. Cui. Ms. Cui, being the settlor and protector of The Ground Trust, is deemed to be interested (by virtue of Part XV of the SFO) in an aggregate of 2,229,101,065 Shares of the Company, representing approximately 30.94% of the issued Shares as at the Latest Practicable Date via her interests in Ka Yik and Charm Success. Pursuant to the definition under the Takeovers Code, the Subscriber, Ground Investment Holding, Mr. Cui, Ms. Chai, Ms. Cui, Charm Success, Ka Yik, Jilin Dongxiu and Changchun Dongxiu are presumed to be under classes (1) and (8) of the definition of acting in concert under the Takeovers Code; and as a matter of fact are, parties acting in concert.

Under the Loan Capitalisation Agreement, the Subscriber shall subscribe for a total of 5,060,000,000 Capitalisation Shares. Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Capitalisation Shares, the aggregate shareholding interest of the Concert Party Group would increase from 2,229,951,065 Shares, representing approximately 30.95% of the issued Shares as at the Latest Practicable Date, to 7,289,951,065 Shares, representing approximately 59.45% of the issued Shares as enlarged by the allotment and issue of the Capitalisation Shares immediately after completion of the transactions contemplated under the Loan Capitalisation Agreement. Upon completion of the Loan Capitalisation, the Concert Party Group would be required to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Party Group) unless the Whitewash Waiver is granted by the Executive.

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The Subscriber has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be conditional upon, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder. The Concert Party Group and their associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Loan Capitalisation Agreement and/or the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM. Other than Charm Success, Ka Yik and Ms. Chai who are members of the Concert Party Group and Shareholders, none of the Shareholders is involved in or interested in the Loan Capitalisation Agreement and/or the transactions contemplated thereunder, and/or the Whitewash Waiver and is required to abstain from voting in respect of the resolution(s) to approve the aforesaid matters at the SGM.

If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Loan Capitalisation Agreement is not fulfilled, the subscription contemplated under the Loan Capitalisation Agreement will not proceed.

Based on our analysis of the benefits and terms of the Loan Capitalisation Agreement, we consider that the entering into of the Loan Capitalisation Agreement is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the implementation of the Loan Capitalisation, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole for the purpose of proceeding with the Loan Capitalisation.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- (i) the Group recorded net losses for the year ended 31 March 2024 and its financial performance has experienced significant fluctuations over the periods under review which suggested that the Group is operating in a challenging business environment and it remains uncertain as to the future performance of the Group as a whole. As disclosed in the 2023 Annual Results, under the uncertainties surrounding the PRC economy and property market and the high gearing position of the Group, the Group will maintain a more prudent approach in developing its businesses and opportunities by (a) replenishing land reserve for the Group's property development; and (b) following closely and monitoring the progress of the Group's Fusong Property Project and its funding need. Given the size of the Fusong Property Project and its huge land area, the management of the Group will keep an open-minded attitude towards the development of the project and will closely consider any potential business partners to jointly develop the project, or may even consider to divest the project to any potential investor who wishes to develop independently. Against this backdrop, the future business operation and

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financial performance of the Group requires a substantial amount of working capital to repay the outstanding loans and support the property development business, so as to maintain the competitiveness and healthy financial position of the Group;

- (ii) as at 31 March 2024, the Group had total debt (being the sum of loans from a controlling shareholder, loans from related parties and bank and other borrowings) of approximately RMB1,060.1 million, while the Group only maintained cash position of approximately RMB53.6 million, which were insufficient to cover even the current portion of total debt of approximating RMB829.1 million;
- (iii) the Group is not able to raise fund effectively through debt financing and placing as discussed in the section headed “3. Reasons for and benefits of the entering into of the Loan Capitalisation Agreement” above;
- (iv) the Loan Capitalisation is an appropriate fund raising method currently available to the Group as it enables the Group to mitigate a substantial cash outflow, allowing the Company to retain working capital to support its business operations and development;
- (v) although it is noted that the Capitalisation Price is below the closing Share prices during the majority of the trading days in the Review Period (499 days out of 506 days) and appears to represent the low end of the Company’s historical share price performance, the Capitalisation Price is fair and reasonable after considering the following:
 - (a) the thin trading liquidity of the Shares during the Review Period;
 - (b) the declining trend of the Share price of the Company;
 - (c) as discussed in the section headed “4. Industry overview” above, the prospects of the property development market in the PRC and the Northeast of the PRC, as well as the Group’s businesses are considered to be uncertain in the short run; and
 - (d) the Implied P/B is within the range of the Comparable Companies and lies toward the high end of P/Bs of the Comparable Companies;
- (vi) the dilution effect on the shareholding interests of existing public Shareholders arising from the Loan Capitalisation is acceptable and the Loan Capitalisation does not result in a theoretical dilution effect of 25% or more on its own, complying with the Listing Rules; and
- (vii) the Loan Capitalisation is expected to have a positive impact on the Group’s net asset value, gearing ratio and working capital, which is in line with the interests of Shareholders.

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Based on the above, we consider that the terms of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that although the entering into of the Loan Capitalisation Agreement, the Whitewash Waiver and the transactions contemplated thereunder is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Loan Capitalisation, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2022, 2023 and 2024 are disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.huayininternational.com>):

- Annual report of the Group for the year ended 31 March 2022 published on 19 July 2022 (pages 96 to 234) available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0719/2022071900519.pdf>

- Annual report of the Group for the year ended 31 March 2023 published on 24 July 2023 (pages 96 to 230) available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0724/2023072400460.pdf>

- Annual results announcement of the Group for the year ended 31 March 2024 published on 26 June 2024 (pages 1 to 29) available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0627/2024062700035.pdf>

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the three years ended 31 March 2024 as extracted from the relevant annual reports and annual results announcement of the Company:

	For the year ended 31 March		
	2022	2023	2024
	(audited)	(audited)	(audited)
<i>(Unless otherwise stated)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	112,103	394,107	116,072
Reversal of/(write-down) of properties under development to net realisable value	20,733	545,442	(84,300)
Gain on disposal of subsidiaries	64,348	–	–
(Loss)/Profit before tax	(79,174)	462,235	(227,713)
Income tax	22,214	(96,226)	34,383
(Loss)/Profit for the year	(56,960)	366,009	(193,330)
(Loss)/Profit for the year attributable to the owners of the parent	(56,960)	366,009	(193,330)
Total comprehensive income for the year attributable to the owners of the parent	(50,828)	353,071	(206,767)
Basic (loss)/ earnings per Share (RMB Cents)	(0.84)	5.17	(2.68)
Diluted (loss)/ earnings per Share (RMB Cents)	(0.84)	5.08	(2.68)

The Group does not have any (i) profit or loss attributable to non-controlling interests, (ii) comprehensive income attributable to non-controlling interests; and (iii) dividends to owners, for the years ended 31 March 2022, 2023 and 2024. Save as disclosed above, the Group does not have any items of income or expense which are material for the years ended 31 March 2022, 2023 and 2024.

The auditor of the Company for the three years ended 31 March 2022, 2023 and 2024 was Mazars CPA Limited. The audit opinions of Mazard CPA Limited in respect of the above years were not qualified or modified, except that for the three years ended 31 March 2022, 2023 and 2024 has material uncertainty related to going concern, details of which as extracted from the relevant independent auditor's reports set out below:

For the year ended 31 March 2024 as extracted from the annual results announcement of the Group for the year ended 31 March 2024

“Material uncertainty relating to going concern

We draw attention to the “Going concern basis” section in note 2.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared, which states that the Group’s current portion of bank and other borrowings amounted to RMB420,640,000, while its unrestricted cash and cash equivalents amounted to RMB53,635,000. The Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financing to meet its loan repayment obligations. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors, having considered the measures to be taken by the Group as disclosed in note 2.1 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.”

For the year ended 31 March 2023 as extracted from the annual report of the Group for the year ended 31 March 2023

“Material uncertainty relating to going concern

We draw attention to the “Going concern basis” section in note 2.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared, which states that the Group’s current portion of bank and other borrowings amounted to RMB445,696,000, while its unrestricted cash and cash equivalents amounted to RMB69,939,000. The Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financing to meet its loan repayment obligations. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the

Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures to be taken by the Group as disclosed in note 2.1 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter."

For the year ended 31 March 2022 as extracted from the annual report of the Group for the year ended 31 March 2022

"Material uncertainty relating to going concern

We draw attention to the "Going concern basis" section in note 2.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred loss of RMB56,960,000 for the year ended 31 March 2022 and, as at that date, the Group had net current liabilities of approximately RMB138,522,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures to be taken by the Group as disclosed in note 2.1 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter."

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had below outstanding indebtedness:

- (a) bank and other borrowings of approximately RMB651,630,000 (equivalent to approximately HK\$701,885,000) which comprised of:

- (i) bank loan of RMB70,000,000 (equivalent to approximately HK\$75,399,000) that bears interests at a fixed rate of 7.5% per annum, is secured by the 70% equity interests in a connected party and is guaranteed by personal and corporate guarantees of certain connected parties of the Group;
- (ii) bank loan of RMB8,000,000 (equivalent to approximately HK\$8,617,000) that bears interests at a fixed rate of 5% per annum, is secured by the pledges of the completed properties held for sale with carrying amount of RMB8,833,000 (equivalent to approximately HK\$9,514,000) and 100% equity interest of a subsidiary of the Group as at 31 March 2024, and is unguaranteed;
- (iii) bank loan of RMB2,000,000 (equivalent to approximately HK\$2,154,000) that bears interests at a fixed rate of 5% per annum, and is secured by a second charge of completed properties held for sale with carrying amount of RMB8,833,000 (equivalent to approximately HK\$9,514,000) as at 31 March 2024, and is unguaranteed;
- (iv) bank loan of RMB230,990,000 (equivalent to approximately HK\$248,804,000) that bears interests at a fixed rate of 6%-7.3% per annum, are secured by investment properties with fair value of RMB352,300,000 (equivalent to approximately HK\$379,470,000) as at 31 March 2024, and is guaranteed by personal and corporate guarantees of certain connected parties of the Group;
- (v) bank loan of RMB2,340,000 (equivalent to approximately HK\$2,520,000) that bears interests at a floating rate of loan prime rate plus 0.28% per annum, and is unsecured and unguaranteed;
- (vi) entrusted loan of RMB20,000,000 (equivalent to approximately HK\$21,542,000) from Northeast China Small and Medium-Sized Enterprises Financing Re-Guarantee Co., Ltd. (an independent third party), that bears interest at a fixed interest rate of 8% per annum, is secured by properties under development held by the Group with carrying amount of RMB329,770,000 (equivalent to approximately HK\$355,202,000) as at 31 March 2024, and is guaranteed by corporate guarantees of certain connected parties of the Group; and
- (vii) entrusted loan of RMB318,300,000 (equivalent to approximately HK\$342,848,000) from Northeast China Small and Medium-Sized Enterprises Financing Re-Guarantee Co., Ltd. (an independent third party), that bears interest at a fixed rate of 10% per annum, is secured by a second charge of properties under development with carrying amount of RMB1,166,000,000 (equivalent to approximately HK\$1,255,924,000) as at 31 March 2024, and is guaranteed by corporate guarantees of certain connected parties of the Group;

- (b) loans from a controlling shareholder of approximately RMB344,849,000 (equivalent to approximately HK\$371,444,000) (including the Loan) which are unguaranteed, unsecured, interest-free and have no fixed repayment term, save for (i) the Loan which is repayable on or before 28 February 2025; and (ii) an amount of approximately RMB15,435,000 (equivalent to approximately HK\$16,625,000) which bears interest at 5% per annum and repayable within one year;
- (c) loans from related parties of approximately RMB63,651,000 (equivalent to HK\$68,560,000) which are unguaranteed, unsecured, interest-free and repayable within one year or on demand, such loans included amounts of approximately RMB60,865,000 from Jilin Province Wanding Holding Group Company Limited (吉林省萬鼎控股集團有限公司) which were entered in between May 2023 and February 2024; and approximately RMB2,785,000 from Mr. Jiang Jinbo which was entered into in April 2023;
- (d) liability component of the 2021 Convertible Bonds and 2023 Convertible Bonds of RMB141,676,000 (equivalent to approximately HK\$152,602,000) that is unsecured and unguaranteed; and
- (e) lease liabilities of RMB33,358,000 (equivalent to approximately HK\$35,931,000) that are unsecured and unguaranteed.

The Group also had outstanding contingent liabilities which comprised of guarantees amounting to RMB213,050,000 (equivalent to approximately HK\$229,481,000) given to banks with respect to mortgage loans procured by purchasers of property units. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loans by the purchasers of properties.

Saved as aforesaid, and apart from intragroup liabilities, at the close of business on 31 March 2024, the Group did not have any outstanding debt securities, other borrowings or loan capital issued and outstanding, agreed to be issued, or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities.

3. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2024, the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

The following is the text of a letter, a summary of values and summary reports prepared for the purpose of incorporation in this circular received from Colliers Appraisal & Advisory Services Co., Ltd. an independent valuer, in connection with its valuation as at 31 March 2024 of the property interests held by the Group.

Colliers Appraisal and Advisory Services Co., Ltd.

Suite 507, Block A, Gemdale Plaza
No. 91 Jianguo Road, Chaoyang District, Beijing
China



The Board of Directors
Hua Yin International Holdings Limited

29 June 2024

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value the property interests held by Hua Yin International Holdings Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) in the People’s Republic of China (“**the PRC**”), we confirm that we have carried out inspections, made relevant enquires 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 interests as at 31 March 2024 (the “**Valuation Date**”), for the purpose of incorporating in the public document.

Our valuations are provided on the basis of Market Value, which we would define 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”.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUTATION STANDARDS

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission.

QUALIFICATIONS OF THE VALUER

These valuations have been prepared by Kin Ming Woo James (James Woo) (RICS Registration No.: 0837243) and Chin Pang Tsang (Eric Tsang) (RICS Registration No.: 1265711). James Woo is a Fellow member of the Royal Institution of Chartered Surveyors. James is an Executive Director of Valuation and Advisory Services, China at Colliers. He is suitably qualified to carry out the valuations and has over 25 years' experience in the valuation of properties of this magnitude and nature in China.

Eric Tsang, Senior Director of the Valuation and Advisory Services, Asia at Colliers is an experienced competent valuer and has over 24 years' experience in undertaking valuations of this type in Hong Kong and Mainland China. He is a Member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region, and also a Registered Real Estate Appraiser in the PRC.

We are acting as an independent valuer as defined in the latest "RICS Global Valuation Standards", the "HKIS Valuation Standards" published by the RICS and HKIS, which incorporates with the IVS.

Neither the valuer nor Colliers are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the property interests.

VALUATION APPROACHES

In valuing the property interests in Group I which are held by the Group for sale, we have valued such properties by direct comparison approach with reference to comparable transactions in the open market and on the basis of vacant possession.

In valuing the property interest in Group II which are held by the Group for investment, we have adopted the income approach by taking into account the current rent passing of the properties and the reversionary potential of the tenancy(ies). In determining the reversionary potential of the tenancy(ies), we have adopted the market approach with reference to the recent proposed leasing and sale transactions for similar premises in the proximity.

In valuing the property interests in Group III which are held by the Group under development, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments. The "market value as if completed" represents our opinion of the aggregate selling prices of the property interests assuming that it would be completed as at the Valuation Date.

Our valuations have been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Group and its legal advisor in respect of the titles of the property interests. We also have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as ownership title, site and floor areas, planning approvals or statutory notices, easements, tenure, occupancy, lettings, the identification of the property interests and all other relevant matters. We have also been advised by the Company that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations.

TITLE DOCUMENTS

We have been provided with copies or extracts of title documents relating to the property interests and have made relevant enquires where possible. Due to the nature of the land registration system in the PRC, however, we have not examined the original documents to verify the existing titles to the property interests or any material encumbrances that might be attached to the property interests or any lease amendments. We have made assumptions that the full and proper ownership title of the property interests has been obtained and all payable land premium or land-use rights fees have been fully settled.

We have relied on the advice given by the Company's legal adviser, Commerce & Finance Law Office (通商律師事務所), based on their legal opinion dated 26 June 2024 regarding the titles of the property interests. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation particulars are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter and the valuation particulars.

ASSUMPTIONS AND CAVEATS

Our valuations have been made on the assumption that the owners can sell the property interests on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the property interests.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale.

We have conducted the valuations assuming:

- the information as set out in the section headed "Sources of Information" above about the titles of the properties provided by the Company and its legal advisor, Commerce & Finance Law Office (通商律師事務所) is true and correct;
- the property interests are free from contamination and environmental problems or hazards;
- all payable land premium or land-use rights fees or compensated reclamation of the land of the property interests have been fully settled as Changbaishan Ground Pine Township International Resort (廣澤果松小鎮國際度假村) has outstanding land premium or land-use rights fees or possible compensated reclamation of the vacant land portion but such outstanding land premium payable was not taken into account in the valuation as the valuation is intended to reflect the current, as-is market value of the land and properties, without considering future or contingent liabilities;
- we have assumed the property interests are in a good state of repair, management and maintenance and fit for the use to which it is put, and will continue to be managed and maintained to this standard in the future; and
- in valuing the property interests held by the Company for investment purposes, we have assumed the tenanted property will continue to be occupied and maintained in good order.

SITE MEASUREMENT

We have not carried out on-site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the areas shown on the documents and plans provided to us are true and correct in all respects. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

The properties were inspected by James Woo, from 4-6 June 2024 and 18-21 June 2024. We have inspected the exterior, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

Please be advised we have not carried out investigations to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations have been prepared on the assumption that these aspects are satisfactory.

CURRENCY

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

We hereby certify that we have neither present nor a prospective interest in the Property or the value reported.

TAXES

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30% – 60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallized in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuations, we have neither verified nor taken into account such tax liability.

Our summary of values and valuation summary reports are attached hereto.

Yours faithfully,

For and on behalf of

Colliers Appraisal and Advisory Services Co., Ltd. (“Colliers”)

Kin Ming Woo James

FRICS AICFC

Executive Director

Valuation and Advisory Services I China

RICS Registration Number: 0837243

Note:

Mr. James Woo is a Registered and independent Valuer with over 25 years’ experience in real estate industry and assets valuation sector. His experience on valuation covers Mainland China. Mr. Woo is a fellow member of the Royal Institution of Chartered Surveyors.

Contributing Valuer:

Chin Pang Tsang Eric

BSc (Hons) MRICS MHKIS MCIREA RPS(GP)

Senior Director

Valuation and Advisory Services I Asia

RICS Registration Number: 1265711

Note:

Mr. Eric Tsang is a qualified general practice surveyor and a Registered and independent Valuer with over 24 years’ experience in valuation of properties in Hong Kong and Mainland China.

SUMMARY OF VALUATIONS

Group I – Property interests held by the Group for sale

Property	Market Value in existing state as at 31 March 2024
1 Various residential units and carparking spaces of Guangze International Shopping Centre (廣澤國際購物中心), No. 135 Hunjiang Avenue, Hunjiang District, Baishan, Jilin Province, PRC	RMB7,800,000
2 Unsold portions of Guangze China House Phase 1.1, 1.2, 1.3 and 2.1 (廣澤蘭亭1.1, 1.2, 1.3及2.1期), No. 2782 Bei'an Avenue, Hunjiang District, Baishan, Jilin Province, PRC	RMB183,200,000
3 Unsold portion of Guangze Red House Phase 1.1, 1.2 and 1.3 (廣澤紅府1.1, 1.2, 1.3期), No. 2652 Lihua Road, Yanji City, Yanbian Korean Autonomous Prefecture, Jilin Province, PRC	RMB12,500,000
4 Unsold portions of Jiuxi Red House Phase 1 (九溪紅府一期), Intersection of Jiutai Yinbin Road and Wenti Avenue (extended section), Jiutai District, Changchun, Jilin Province, PRC	RMB75,070,000
Sub total	<u>RMB278,570,000</u>

Group II – Property interests held by the Group for investment purpose

Property	Market Value in existing state as at 31 March 2024
5 Various retail units of Guangze International Shopping Centre (廣澤國際購物中心), No. 135 Hunjiang Avenue, Hunjiang District, Baishan, Jilin Province, PRC	RMB469,200,000
Sub total	<u>RMB469,200,000</u>

Group III – Property interests held by the Group under development

Property	Market Value in existing state as at 31 March 2024
6 Changbaishan Ground Pine Township International Resort (廣澤果松小鎮國際度假村), Donggang Town, Fusong County, Baishan, Jilin Province, PRC	RMB1,166,000,000
7 Jiuxi Red House Phase 2 (九溪紅府二期), Intersection of Jiutai Yinbin Road and Wenti Avenue (extended section), Jiutai District, Changchun, Jilin Province, PRC	RMB230,000,000
Sub total	<u>RMB1,396,000,000</u>
Grand total	<u>RMB2,143,770,000</u>

VALUATION PARTICULARS

Group I – Property interests held by the Group for sale

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024												
1	<p>Various residential units and car parking space of Guangze International Shopping Centre (the “Development”) is a residential and retail development erected on irregularly shaped plot, with a site area of approximately 29,933.99 sq.m. completed in 2015.</p> <p>According to the information provided, the Property comprises 11 residential units and 54 car park spaces of the Development.</p> <p>The Property is in reinforced concrete structure with a total gross floor area (GFA) of approximately 2,199.36 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Phase</th> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Residential</td> <td>969.15</td> </tr> <tr> <td></td> <td>Kindergarten</td> <td>1,230.21</td> </tr> <tr> <td colspan="2">Total</td> <td>2,199.36</td> </tr> </tbody> </table>	Phase	Portion	GFA (sq.m.)	1	Residential	969.15		Kindergarten	1,230.21	Total		2,199.36	At the time of our inspection, the Property was vacant.	RMB7,800,000 (RENMINBI SEVEN MILLION EIGHT HUNDRED THOUSAND)
Phase	Portion	GFA (sq.m.)													
1	Residential	969.15													
	Kindergarten	1,230.21													
Total		2,199.36													

Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property have been granted for two concurrent terms expiring on 30 May 2053 for commercial use and 30 May 2083 for residential use respectively.

Notes:

- i) Pursuant to the Business License issued by the Market Supervision Administration of Baishan, the basic information of Baishan Ground Real Estate Development Co., Ltd. (白山市廣澤房地產開發有限公司) an indirect wholly-owned subsidiary of the Company, hereinafter referred to as “Baishan Ground” is as follows:

Enterprise Name:	Baishan Ground Real Estate Development Co., Ltd.
Social Credit Code	91220601578912874X
Type	Limited Liability Company (sole proprietorship of a legal entity that is not invested or controlled by a natural person)
Legal Representative	Jiang Hui
Registered Capital	RMB50,000,000

Date of Establishment	8 August 2011
Operating Period	From 8 August 2011, to long-term
Address	Floor 1-2, Commercial Unit 000101, Building G1, Guangze China House Neighborhood Hunjiang District, Baishan
Scope of Business	Real estate development; Decoration and renovation; Sales and rental of commercial shops; Sales of: gold jewellery, jewellery, clothing and footwear, daily necessities (excluding fireworks), office supplies, furniture, household appliances, local specialty products, agricultural and sideline products, handicrafts, hardware and building materials (excluding timber), textiles, cosmetics; Rental of self-owned parking spaces; Design, production and agency of advertisements; Conference and exhibition services; Market research; Automobile rental (Projects that are subject to approval by law can only be carried out after being approved by the relevant departments)

ii) Pursuant to the following State-owned Land-use Rights Certificates, the land-use rights of the Property have been granted to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Baishan Shi Guo Yong (2013) Di 060000100 Hao	31 May 2013	Residential	10,101.60
2	Baishan Shi Guo Yong (2013) Di 060000101 Hao	31 May 2013	Wholesale and Retail	19,832.40
Total:				<u>29,934.00</u>

iii) Pursuant to the following Real Estate Ownership Certificates, the ownership of the Property has been granted to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Ji (2018) Baishan Shi Bu Dong Chan Quan Di 20180010695 Hao	10 October 2018	Wholesale and Retail	11,630.39
2	Ji (2018) Baishan Shi Bu Dong Chan Quan Di 20180010122 Hao	10 October 2018	Wholesale and Retail	8,202.00
Total:				<u>19,832.39</u>

iv) Pursuant to the following Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area	Construction Scale
1	Baishan Gui Di Zi Di 2012060 Hao	24 May 2012	Residential and Commercial	29,930.00	157,000.00
Total:				29,930.00	157,000.00

v) Pursuant to the following Construction Work Planning Permits, the planning of the construction work of the Property has been approved to Baishan Ground. Details are listed below:

No.	Certificate No.	Date	Project Name	Construction Scale
1	Baishan Gui Jian Zi Di 2013015 Hao	9 April 2013	Guangze International Shopping Centre	168,018.97
Total:				168,018.97

vi) Pursuant to the following Construction Work Commencement Permits, the construction work of the Property has been approved to commence by Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	No. 220602201210150860	15 November 2012	Guangze International Shopping Centre	168,000.00
Total:				168,000.00

vii) Pursuant to the following Commodity Housing Pre-sale Permits, the commodity housing pre-sale of the Property has been approved to Baishan Ground. Details are listed below:

No.	Certificate No.	Project Name	Date	GFA
1	(Baishan) Fang Yu Shou Zheng Di 2013103 Hao	Guangze International Shopping Centre	24 October 2013	Residential: 54,040.50 1-2F Retail: 5,865.00
2	(Baishan) Fang Yu Shou Zheng Di 2014016 Hao	Guangze International Shopping Centre	5 November 2014	Inner Retail: 35,300.13
Total:				95,205.63

viii) The general description and market information of the Property are summarized below:

Location	The Property is located No. 135 Hunjiang Avenue, Hunjiang District, Baishan, Jilin Province, PRC
Transportation	Baishan Changbaishan Airport is located approximately 99 kilometres away from the Property. Also, taxi and bus are readily available in the locality
Nature of Surrounding Area	The subject area is a predominately residential and commercial area.

ix) In assessing the market value of the Property, we have made reference to sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include residential ranges from RMB3,600 to RMB5,500 psm; retail ranges from RMB6,000 to RMB7,500 psm; carparking space ranges from RMB120,000 to RMB150,000 per lot. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, etc. to determine the unit price of the Property.

x) According to the information provided, as at the valuation date, portion of the Property with a total GFA of 969.15 sq.m. have been pre-sold with a total sales amount of approximately RMB4,586,440. As instructed by the Company, we have taken into account the said sales amount (i.e. RMB4,586,440) in our valuation.

xi) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
State-owned Land-use Rights Certificates	Yes
Real Estate Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Commodity Housing Pre-sale Permit	Yes
Business License	Yes

xii) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal advisor, which Commerce & Finance Law Office (通商律師事務所), which contains, inter alia, the following information:

1. Baishan Ground has obtained the real estate ownership certificate. Baishan Ground has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
2. Baishan Ground has legally owned the relevant land use rights and ownership rights for the Property. During the term of the above-mentioned land use rights, Baishan Ground shall have the right to occupy and use the Property in accordance with the PRC law, and also have the right to dispose the Property by transferring, leasing, mortgaging or other legal means.

VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024																								
2	<p>Unsold portion of Guangze China House Phase 1.1, 1.2, 1.3 and 2.1 (蘭亭1.1, 1.2, 1.3及2.1期), No. 2782 Bei'an Avenue, Hunjiang District, Baishan, Jilin Province, PRC</p> <p>Guangze China House (the "Development") is a residential project developed into 2 phases erected on irregularly shaped plot, with a site area of approximately 58,023.02 sq.m. completed between 2015 to 2023.</p> <p>According to the information provided, the subject property comprises one high-rise residential unit and a 2-storey kindergarten on Phase 1.1, 36 units of resettlement houses and 1 units of retail on Phase 1.2, 5 high-rise residential units, on Phase 1.3 and 282 high-rise residential units and 72 garages on Phase 2.1.</p> <p>The Property is in reinforced concrete structure with a total gross floor area (GFA) of approximately 38,863.97 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Phase</th> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td rowspan="2">1.1</td> <td>Residential</td> <td>75.63</td> </tr> <tr> <td>Kindergarten</td> <td>2,306.41</td> </tr> <tr> <td rowspan="2">1.2</td> <td>Resettlement housing</td> <td>2,143.96</td> </tr> <tr> <td>Retail</td> <td>58.80</td> </tr> <tr> <td>1.3</td> <td>Residential</td> <td>535.26</td> </tr> <tr> <td rowspan="2">2.1</td> <td>Residential</td> <td>31,237.74</td> </tr> <tr> <td>Garage</td> <td>2,506.17</td> </tr> <tr> <td colspan="2">Total</td> <td>38,863.97</td> </tr> </tbody> </table>	Phase	Portion	GFA (sq.m.)	1.1	Residential	75.63	Kindergarten	2,306.41	1.2	Resettlement housing	2,143.96	Retail	58.80	1.3	Residential	535.26	2.1	Residential	31,237.74	Garage	2,506.17	Total		38,863.97	<p>At the time of our inspection, the kindergarten was partially leased and partially vacant, the lease term will be expired on 31 March 2026. The remaining portion of the Property being vacant.</p>	<p>RMB183,200,000 (RENMINBI ONE HUNDRED EIGHTY THREE MILLION AND TWO HUNDRED THOUSAND)</p>
Phase	Portion	GFA (sq.m.)																									
1.1	Residential	75.63																									
	Kindergarten	2,306.41																									
1.2	Resettlement housing	2,143.96																									
	Retail	58.80																									
1.3	Residential	535.26																									
2.1	Residential	31,237.74																									
	Garage	2,506.17																									
Total		38,863.97																									

Pursuant to the State-owned Land Use Rights Certificates provided, the land-use rights of Phases 1.1, 1.2 and 1.3 of the Property have been granted for a term expiring on 18 August 2084 for residential use. The land-use rights of Phase 2.1 of the Property have been granted for three concurrent terms expiring on 13 July 2062 for commercial use, 13 July 2072 for garage use and 13 July 2092 for residential use respectively.

Notes:

- i) Pursuant to the Business License issued by the Market Supervision Administration of Baishan, the basic information of Baishan Ground Real Estate Development Co., Ltd. (白山市廣澤房地產開發有限公司) an indirect wholly-owned subsidiary of the Company, hereinafter referred to as “Baishan Ground” is as follows:

Enterprise Name:	Baishan Ground Real Estate Development Co., Ltd.
Social Credit Code	91220601578912874X
Type	Limited Liability Company (sole proprietorship of a legal entity that is not invested or controlled by a natural person)
Legal Representative	Jiang Hui
Registered Capital	RMB50,000,000
Date of Establishment	8 August 2011
Operating Period	From 8 August 2011, to long-term
Address	Floor 1-2, Commercial Unit 000101, Building G1, Guangze China House Neighborhood, Hunjiang District, Baishan
Scope of Business	Real estate development; Decoration and renovation; Sales and rental of commercial shops; Sales of: gold jewellery, jewellery, clothing and footwear, daily necessities (excluding fireworks), office supplies, furniture, household appliances, local specialty products, agricultural and sideline products, handicrafts, hardware and building materials (excluding timber), textiles, cosmetics; Rental of self-owned parking spaces; Design, production and agency of advertisements; Conference and exhibition services; Market research; Automobile rental (Projects that are subject to approval by law can only be carried out after being approved by the relevant departments)

- ii) Pursuant to the following State-owned Land-use Rights Certificates, the land-use rights of the Property have been granted to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Baishan Shi Guo Yong (2014) Di 060000092 Hao	28 August 2014	Residential	39,276.42
2	Baishan Shi Guo Yong (2014) Di 060000093 Hao	28 August 2014	Wholesale and Retail	2,152.58
3	Baishan Shi Guo Yong (2014) Di 060000097 Hao	12 September 2014	Warehouse	1,044.00
4	Baishan Shi Guo Yong (2014) Di 060000098 Hao	12 September 2014	Warehouse	2,070.70
5	Baishan Shi Guo Yong (2014) Di 060000096 Hao	12 September 2014	Warehouse	1,044.00
6	Baishan Shi Guo Yong (2014) Di 060000099 Hao	12 September 2014	Warehouse	313.10
7	Baishan Shi Guo Yong (2014) Di 060000101 Hao	12 September 2014	Warehouse	1,044.00
8	Baishan Shi Guo Yong (2014) Di 060000100 Hao	12 September 2014	Warehouse	325.70
9	Ji (2023) Baishan Shi Bu Dong Chan Quan Di 0017548 Hao	28 November 2023	Residential and other retail	14,163.00
10	Ji (2023) Baishan Shi Bu Dong Chan Quan Di 0017544 Hao	28 November 2023	Warehouse	528.43
11	Ji (2023) Baishan Shi Bu Dong Chan Quan Di 0017545 Hao	28 November 2023	Warehouse	728.89
12	Ji (2023) Baishan Shi Bu Dong Chan Quan Di 0017547 Hao	28 November 2023	Warehouse	893.52
13	Ji (2023) Baishan Shi Bu Dong Chan Quan Di 0017544 Hao	28 November 2023	Warehouse	230.18
			Total:	47,270.50

iii) Pursuant to the following Real Estate Ownership Certificates, the ownership of the Property has been granted to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Apportioned Site Area/Site Area
1	Ji (2022) Baishan Shi Bu Dong Chan Quan Di 015119 Hao	23 November 2022	Residential	11,553.68
2	Ji (2022) Baishan Shi Bu Dong Chan Quan Di 015120 Hao	23 November 2022	Other Retail	623.97
3	Ji (2022) Baishan Shi Bu Dong Chan Quan Di 015121 Hao	23 November 2022	Residential	14,553.04
4	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003517 Hao	28 April 2024	Residential	9,092.88
5	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003518 Hao	28 April 2024	Other Retail	527.16
6	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003512 Hao	28 April 2024	Residential	727.58
7	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003516 Hao	28 April 2024	Other Retail	7,686.58
8	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003514 Hao	28 April 2024	Residential and Other Retail	15,031.25
9	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003520 Hao	28 April 2024	Other Retail	702.15
10	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003519 Hao	28 April 2024	Other Retail	204.48
11	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003513 Hao	28 April 2024	Other Retail	227.20
12	Ji (2024) Baishan Shi Bu Dong Chan Quan Di 0003515 Hao	28 April 2024	Other Retail	117.60
13	20200006288	26 April 2020	Building G1	10,073.21
14	20200006285	26 April 2020	Building G2	10,758.73
15	20200006287	26 April 2020	Building G3	12,153.07
16	20200006289	26 April 2020	Building H1	14,625.70
17	20200006284	26 April 2020	Building H2	14,162.57
18	20200006299	26 April 2020	Building Y1	5,141.84
19	20200006286	26 April 2020	Building Y2	3,929.74
20	20210004619	20 April 2021	Building K5	451.64
21	–	20 April 2021	Building K6	618.42
22	20210004618	20 April 2021	Building K7	1,645.02
			Total:	<u>19,633.04</u>

- iv) Pursuant to the following Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Baishan Ground. Details are listed below:

No.	Certificate No.	Date	Usage	Site Area	Construction Scale
1	Baishan Gui Di Zi Di 2014065 Hao	29 August 2014	Residential	41,429.00	Plot Ratio <2.54
2	Di Zi Di 220600202200015 Hao	22 July 2022	Residential	14,163.00	Plot Ratio <3.5
Total:				41,429.00	

- v) Pursuant to the following Construction Work Planning Permits, the planning of the construction work of the Property has been approved to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	Baishan Gui Jian Zi Di 2014054 Hao	29 September 2014	Guangze China House Phase 1	128,736.30
2	Jian Zi Di 220600202100030 Hao	2 September 2021	Guangze China House Phase 1.3	102,313.99
3	Jian Zi Di 220600202200024 Hao	17 October 2022	Guangze China House Phase 2.1	35,553.49
Total:				266,603.78

- vi) Pursuant to the following Construction Work Commencement Permits, the construction work of the Property has been approved to commence by Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	No. 220602201412232601	23 December 2014	Guangze China House Phase 1 Second Section (Y1, Y2, G1, G2, G3)	42,349.00
2	No. 220602201809040101	4 September 2018	Guangze China House Phase 1 First Section (H1, H2, K5, K6, K7)	32,114.76
3	No. 220602202006050101	5 June 2020	Guangze China House Phase 1 1.3 Sub-phase (G5, G10, G11, G12, K10)	45,851.50
4	No. 220602202211080101	8 November 2022	Guangze China House Phase 1 2.1 Sub-phase (13#,15#,16#, 17#,18#)	35,553.49
Total:				155,868.75

Nature of Surrounding Area

The subject area is a predominately residential and commercial area.

- ix) In assessing the market value of the Property, we have made reference to sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include residential ranges from RMB3,600 to RMB5,500 psm; retail ranges from RMB6,000 to RMB7,500 psm; carparking space ranges from RMB120,000 to RMB150,000 per lot. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, etc. to determine the unit price of the Property.
- x) According to the information provided, as at the valuation date, portion of the Property with a total GFA of 24,618.29 sq.m. have been pre-sold with a total sales amount of approximately RMB19,706,184. As instructed by the Company, we have taken into account the said sales amount (i.e. RMB19,706,184) in our valuation.
- xi) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
State-owned Land-use Rights Certificates	Yes
Real Estate Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Commodity Housing Pre-sale Permit	Yes
Business License	Yes

- xii) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal advisor, Commerce & Finance Law Office (通商律師事務所), which contains, inter alia, the following information:
1. Baishan Ground has obtained the real estate ownership certificate related to the land of the Property. Baishan Ground has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
 2. Baishan Ground has legally owned the relevant land use rights and ownership rights for the Property. During the term of the above-mentioned land use rights, Baishan Ground shall have the right to occupy and use the Property in accordance with the PRC law, and also have the right to dispose the Property by transferring, leasing, mortgaging or other legal means.

VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024																									
3	<p>Unsold portion of Guangze Red House Phase 1.1, 1.2 and 1.3 (廣澤紅府1.1, 1.2, 1.3期), No. 2652 Lihua Road, Yanji City, Yanbian Korean Autonomous Prefecture, Jilin Province, PRC</p> <p>Guangze Red House is a residential project developed into 3 phases erected on irregularly shaped plot, with a site area of approximately 131,657.52 sq.m. completed between 2016 and 2018.</p> <p>According to the information provided, the Property comprises 1 retail unit, 4 carparking spaces, 1 storage and 2 garages on Phase 1, 1 residential unit and 7 carparking spaces on Phase 2, 3 retail units and 8 carparking spaces on Phase 3.</p> <p>The Property is in reinforced concrete structure with a total gross floor area (GFA) of approximately 2,143.93 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Phase</th> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td rowspan="4">1</td> <td>Retail</td> <td>312.39</td> </tr> <tr> <td>Carparking Space (4 lots)</td> <td>104.43</td> </tr> <tr> <td>Storage</td> <td>108.09</td> </tr> <tr> <td>Garage (2 lots)</td> <td>159.54</td> </tr> <tr> <td rowspan="2">2</td> <td>Residential</td> <td>135.06</td> </tr> <tr> <td>Garage (7 lots)</td> <td>514.95</td> </tr> <tr> <td rowspan="2">3</td> <td>Retail</td> <td>396.77</td> </tr> <tr> <td>Civil defence Carparking Spaces (8 lots)</td> <td>412.70</td> </tr> <tr> <td>Total</td> <td></td> <td>2,143.93</td> </tr> </tbody> </table>	Phase	Portion	GFA (sq.m.)	1	Retail	312.39	Carparking Space (4 lots)	104.43	Storage	108.09	Garage (2 lots)	159.54	2	Residential	135.06	Garage (7 lots)	514.95	3	Retail	396.77	Civil defence Carparking Spaces (8 lots)	412.70	Total		2,143.93	At the date of our inspection, the Property was vacant.	RMB12,500,000 (RENMINBI TWELVE MILLION FIVE HUNDRED THOUSAND)
Phase	Portion	GFA (sq.m.)																										
1	Retail	312.39																										
	Carparking Space (4 lots)	104.43																										
	Storage	108.09																										
	Garage (2 lots)	159.54																										
2	Residential	135.06																										
	Garage (7 lots)	514.95																										
3	Retail	396.77																										
	Civil defence Carparking Spaces (8 lots)	412.70																										
Total		2,143.93																										

Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property have been granted for two concurrent terms expiring on 3 August 2054, 13 September 2055, 16 May 2057 for commercial use and 3 August 2084, 13 September 2085, 16 May 2087 for residential use, for Phases 1.1, 1.2 and 1.3 respectively.

Notes:

- i) Pursuant to the Business License issued by the Yanji Market Supervision Administration, the basic information of Yanji Huize Real Estate Development Co., Ltd. (延吉市惠澤房地產開發有限公司) an indirect wholly-owned subsidiary of the Company, (hereinafter referred to as “Yanji Huize”) is as follows:

Enterprise Name:

Yanji Huize Real Estate Development Co., Ltd.

Social Credit Code	91222401594479222E
Type	Limited Liability Company (sole proprietorship of a legal entity that is not invested or controlled by a natural person)
Legal Representative	Yu Xi Zhou
Registered Capital	RMB50,000,000
Date of Establishment	24 May 2021
Operating Period	24 May 2021 to 23 May 2062
Address	No. 2458 Gongyuan Road, Yanji City
Scope of Business	Real estate development and sales (projects that require approval by law can only be operated after approval by relevant departments)

- ii) Pursuant to the following State-owned Land-use Rights Certificates, the land-use rights of the Property have been granted to Yanji Huize. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Yan Guo Yong (2015) Di 27742 Hao	30 September 2015	Commercial Services	3,511.22
2	Yan Guo Yong (2015) Di 27741 Hao	30 September 2015	Residential	48,343.68
3	Yan Guo Yong (2014) Di 24365 Hao	16 September 2014	Commercial Services	3,633.45
4	Yan Guo Yong (2014) Di 24361 Hao	16 September 2014	Residential	29,353.42
Total:				84,841.77

- iii) Pursuant to the following Real Estate Ownership Certificates, the ownership of the Property has been granted to Yanji Huize. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Ji (2017) Yanji Shi Bu Dong Chan Quan Di 0011283 Hao	5 June 2017	Other Commercial Services, Residential	34,590.62
Total:				34,590.62

- iv) Pursuant to the following Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Yanji Huize. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area	Construction Scale
1	Di Zi Di YD-SQ2015031 Hao	10 August 2015	Residential	51,870.00	
2	Di Zi Di YD-SQ2014017 Hao	3 June 2014	Residential	33,030.00	80,800.00
3	Di Zi Di YD-SQ2017013 Hao	12 May 2017	Residential	34,590.00	
Total:				119,490.00	80,800.00

- v) Pursuant to the following Construction Work Planning Permits, the planning of the construction work of the Property has been approved to Yanji Huize. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	Jian Zi Di GC-SQ2015032 Hao	23 September 2015	Shanty Town Plot G9 E1 (1) Block 4 Floor 11-16	47,054.25
2	Jian Zi Di GC-SQ2016007 Hao	30 March 2016	Shanty Town Plot G9 E1 (2) Block 6 Floor 1-16 with underground	75,454.53
3	Jian Zi Di GC-SQ2014054 Hao	21 October 2014	Hong Fu Neighborhood Block 8 1-16 with underground car park	82,315.35
4	Jian Zi Di GC-SQ2017020 Hao	11 July 2017	Shanty Town Plot G9 E2 (2) Block 7 Floor 2-16 with Attic and Underground	73,205.77
Total:				278,029.90

vi) Pursuant to the following Construction Work Commencement Permits, the construction work of the Property has been approved to commence by Yanji Huize. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	No. 222401201509300101	30 September 2015	Guangze Red House Neighborhood Plot E1 18#, 9#, 11#, 14#	47,054.25
2	No. 222401201604190101	19 April 2016	Guangze Red House Neighborhood Plot E1 10#, 12#, 13#, 15#-18#	75,454.53
3	No. 222401201411240201	24 November 2014	Guangze Red House Project Plot F1 (First Section)	22,900.00
4	No. 222401201411240301	24 November 2014	Guangze Red House Project Plot F1 (Second Section)	59,400.00
	No. 222401201707310201	31 July 2017	Guangze Red House Neighborhood Plot E2 (2) First Section 19#, 20#, 33#	21,178.00
	No. 222401201707310101	31 July 2017	Guangze Red House Neighborhood Plot E2 (2) Second Section 21#, 23#, 31#, 34# Underground	52,026.00
			Total:	278,012.78

vii) Pursuant to the following Commodity Housing Pre-sale Permits, the commodity housing pre-sale of the Property has been approved to Yanji Huize. Details are listed below:

No.	Certificate No.	Project Name	Issue Date	GFA
1	Yan Fang Xu Zi Di 2015113 Hao	Guangze Red House 8#	6 November 2015	10,565.19
2	Yan Fang Xu Zi Di 2015114 Hao	Guangze Red House 9#	6 November 2015	12,464.81
3	Yan Fang Xu Zi Di 2015115 Hao	Guangze Red House 11#	6 November 2015	14,316.15
4	Yan Fang Xu Zi Di 2015116 Hao	Guangze Red House 14#	6 November 2015	9,447.57
5	Yan Fang Xu Zi Di 2016047 Hao	Guangze Red House 10#	30 May 2016	13,847.88
6	Yan Fang Xu Zi Di 2016078 Hao	Guangze Red House 12#	13 July 2016	12,805.12
7	Yan Fang Xu Zi Di 2016104 Hao	Guangze Red House 13#	3 August 2016	13,175.50
8	Yan Fang Xu Zi Di 2016111 Hao	Guangze Red House 15#	17 August 2016	12,675.56
9	Yan Fang Xu Zi Di 2016112Hao	Guangze Red House 16#	17 August 2016	4,646.92
10	Yan Fang Xu Zi Di 2016113 Hao	Guangze Red House Underground	17 August 2016	16,111.21
11	Yan Fang Xu Zi Di 2016105 Hao	Block 1 Guangze Red House, No. 2388 Gongyuan Road, Yanji	9 August 2016	11,561.64
12	Yan Fang Xu Zi Di 2016106 Hao	Block 2 Guangze Red House, No. 2388 Gongyuan Road, Yanji	9 August 2016	12,860.19
13	Yan Fang Xu Zi Di 2015026 Hao	Block 3 Guangze Red House, No. 2389 Gongyuan Road, Yanji	7 May 2015	6,611.32
14	Yan Fang Xu Zi Di 2015027 Hao	Block 4 Guangze Red House, No. 2390 Gongyuan Road, Yanji	7 May 2015	8,739.04
15	Yan Fang Xu Zi Di 2015028 Hao	Block 5 Guangze Red House, No. 2391 Gongyuan Road, Yanji	7 May 2015	8,630.72
16	Yan Fang Xu Zi Di 2015029 Hao	Block 6 Guangze Red House, No. 2392 Gongyuan Road, Yanji	7 May 2015	12,281.95
17	Yan Fang Xu Zi Di 2015030 Hao	Block 7 Guangze Red House, No. 2393 Gongyuan Road, Yanji	7 May 2015	10,574.24

No.	Certificate No.	Project Name	Issue Date	GFA
18	Yan Fang Xu Zi Di 2015031 Hao	Block 8 Guangze Red House, No. 2394 Gongyuan Road, Yanji	7 May 2015	9,847.79
19	Yan Fang Xu Zi Di 20170049 Hao	Guangze Red House (3) 19#	12 September 2017	9,803.14
20	Yan Fang Xu Zi Di 20170050 Hao	Guangze Red House (3) 20#	12 September 2017	9,029.98
21	Yan Fang Xu Zi Di 20170051 Hao	Guangze Red House (3) 21#	11 October 2017	11,864.48
22	Yan Fang Xu Zi Di 20170052 Hao	Guangze Red House (3) 22#	11 October 2017	13,781.76
23	Yan Fang Xu Zi Di 20170053 Hao	Guangze Red House (3) 23#	11 October 2017	10,934.73
24	Yan Fang Xu Zi Di 20170056 Hao	Guangze Red House (3) 31#	11 October 2017	4,565.99
25	Yan Fang Xu Zi Di 20170057 Hao	Guangze Red House (3) 33#	11 October 2017	2,285.96
			Total:	<u>263,428.84</u>

viii) The general description and market information of the Property are summarized below:

Location	The Property is located No. 2652 Lihua Road, Yanji City, Yanbian Korean Autonomous Prefecture, Jilin Province, PRC.
Transportation	Yanji Chaoyangchuan International Airport is located approximately 2 kilometres away from the Property. Also, taxi and bus are readily available in the locality.
Nature of Surrounding Area	The subject area is a predominately residential and commercial area.

ix) In assessing the market value of the Property, we have made reference to sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include retail ranges from RMB9,600 to RMB13,000 psm; carparking spaces ranges from RMB100,000 to RMB130,000 per lot; garage ranges from RMB230,000 to RMB250,000 per lot. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, etc. to determine the unit price of the Property.

x) According to the information provided, as at the valuation date, portion of the Property with a total GFA of 333.94 sq.m. have been pre-sold with a total sales amount of approximately RMB1,543,202. As instructed by the Company, we have taken into account the said sales amount (i.e. RMB1,543,202) in our valuation.

xi) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
State-owned Land-use Rights Certificates	Yes
Real Estate Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Commodity Housing Pre-sale Permit	Yes
Business License	Yes

xii) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal advisor, which Commerce & Finance Law Office (通商律師事務所), which contains, inter alia, the following information:

1. Yanji Huize has obtained the real estate ownership certificate related to the land of the Property. Yanji Huize has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
2. Yanji Huize has legally owned the relevant land use rights and ownership rights for the Property. During the term of the above-mentioned land use rights, Yanji Huize shall have the right to occupy and use the Property in accordance with the PRC law, and also have the right to dispose the Property by transferring, leasing, mortgaging or other legal means.

VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024										
4	<p>Unsold portion of Jiuxi Red House Phase 1 (九溪紅府一期), Intersection of Jiutai Yinbin Road and Wenti Avenue (extended section), Jiutai District, Changchun, Jilin Province, PRC</p> <p>Jiuxi Red House (the “Development”) is a residential project developed into two phases erected on irregularly shaped plot with a site area of approximately 58,669.00 sq.m. Phase 1 of Jiuxi Red House was completed in 2022.</p> <p>According to the information provided, the Property comprises 98 units of residential, 9 units of retail and 124 carparking spaces.</p> <p>The Property is in frame structure with a total gross floor area (GFA) of approximately 15,433.87 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>9,923.20</td> </tr> <tr> <td>Retail</td> <td>602.05</td> </tr> <tr> <td>Carparking Space (124 lots)</td> <td>3,965.16</td> </tr> <tr> <td>Total:</td> <td><u>15,433.87</u></td> </tr> </tbody> </table> <p>Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property have been granted for two concurrent terms expiring on 16 July 2060 for commercial use and 16 July 2090 for residential use respectively.</p>	Portion	GFA (sq.m.)	Residential	9,923.20	Retail	602.05	Carparking Space (124 lots)	3,965.16	Total:	<u>15,433.87</u>	At the time of our inspection, the Property was vacant.	RMB75,070,000 (RENMINBI SEVENTY FIVE MILLION SEVENTY THOUSAND)
Portion	GFA (sq.m.)												
Residential	9,923.20												
Retail	602.05												
Carparking Space (124 lots)	3,965.16												
Total:	<u>15,433.87</u>												

Notes:

- i) Pursuant to the Business License issued by the Changchun Market Supervision Administration Jiutai Branch, the basic information of Jilin Province Xisheng Real Estate Development Co., Ltd. (吉林省熙盛房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, (hereinafter referred to as “Jilin Xisheng”) is as follows:

Enterprise Name:	Jilin Xisheng Real Estate Development Co., Ltd.
Social Credit Code	91220100MA17JA1F52
Type	Limited Liability Company (sole proprietorship of a legal entity invested or controlled by a natural person)
Legal Representative	Yin Chuan Xu
Registered Capital	RMB30,000,000

Date of Establishment	3 June 2020
Operating Period	3 June 2020 to 3 June 2040
Address	Yingbin Road (Jiuxi Red House Sales Office), Jiutai District, Changchun City
Scope of Business	Real estate development and operation (projects that require approval by law can only be carried out after approval by relevant departments)

- ii) Pursuant to the following Real Estate Ownership Certificates, the ownership of the Property has been granted to Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Ji (2020) Jiutai Qu Bu Dong Chan Quan Di 0007069 Hao	4 September 2020	Residential	30,641.00
Total:				30,641.00

- iii) Pursuant to the following Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Di Zi Di 220113202010016 Hao	30 July 2020	Commercial and Residential	30,641
Total:				30,641.00

- iv) Pursuant to the following Construction Work Planning Permits, the planning of the construction work of the Property has been approved to Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	Jian Zi Di 220113202010019 Hao	4 August 2020	Guangze Jiuxi Red House (Phase 1)	67,400.26
Total:				67,400.26

- v) Pursuant to the following Construction Work Commencement Permits, the construction work of the Property has been approved to commence by Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	220113202008270101 House	27 August 2020	Guangze Jiuxi Red House (Phase 1)	67,400.26
Total:				67,400.26

- vi) Pursuant to the following Commodity Housing Pre-sale Permits, the commodity housing pre-sale of the Property has been approved to Jilin Xisheng. Details are listed below:

No.	Certificate No.	Project Name	Issue Date	GFA
1	Jiu Fang Shou Zheng (2020) Di 149 Hao	Guangze Jiuxi Red House (Phase 1) 1#	6 November 2020	7,542.94
2	Jiu Fang Shou Zheng (2020) Di 155 Hao	Guangze Jiuxi Red House (Phase 1) 2#	6 November 2020	6,301.66
3	Jiu Fang Shou Zheng (2020) Di 154 Hao	Guangze Jiuxi Red House (Phase 1) 5#	6 November 2020	7,656.72
4	Jiu Fang Shou Zheng (2020) Di 153 Hao	Guangze Jiuxi Red House (Phase 1) 6#	6 November 2020	10,316.45
5	Jiu Fang Shou Zheng (2020) Di 147 Hao	Guangze Jiuxi Red House (Phase 1) 7#	7 September 2020	7,542.94
6	Jiu Fang Shou Zheng (2020) Di 152 Hao	Guangze Jiuxi Red House (Phase 1) 8#	6 November 2020	5,935.31
7	Jiu Fang Shou Zheng (2020) Di 148 Hao	Guangze Jiuxi Red House (Phase 1) 9#	7 September 2020	6,137.53
8	Jiu Fang Shou Zheng (2020) Di 151 Hao	Guangze Jiuxi Red House (Phase 1) 10#	16 October 2021	917.49
9	Jiu Fang Shou Zheng (2020) Di 150 Hao	Guangze Jiuxi Red House (Phase 1) 3#	7 June 2020	6,947.87
Total:				59,298.91

vii) The general description and market information of the Property are summarized below:

Location	The Property is located Intersection of Jiutai Yinbin Road and Wenti Avenue (extended section), Jiutai District, Changchun, Jilin Province, PRC.
Transportation	Changchun Longjia International Airport is located approximately 14.2 kilometres away from the Property. Also, taxi and bus are readily available in the locality.
Nature of Surrounding Area	The subject area is a predominately residential and commercial area.

viii) In assessing the market value of the Property, we have made reference to sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include retail ranges from RMB9,800 to RMB14,200 psm; residential ranges from RMB4,700 to RMB5,300 psm. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, etc. to determine the unit price of the Property.

ix) According to the information provided, as at the valuation date, portion of the Property with a total GFA of 11,843.76 sq.m. have been pre-sold with a total sales amount of approximately RMB50,694,924. As instructed by the Company, we have taken into account the said sales amount (i.e. RMB50,694,924) in our valuation.

x) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
Real Estate Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Commodity Housing Pre-sale Permit	Yes
Business License	Yes
Real Estate Ownership Certificate	Yes

xi) We have been provided with a legal opinion on the Property prepared by the Company's PRC legal advisor, Commerce & Finance Law Office (通商律師事務所) which contains, inter alia, the following information:

1. Jilin Xisheng has obtained the real estate ownership certificate related to the land of the Property. Jilin Xisheng has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
2. Jilin Xisheng has legally owned the relevant land use rights and ownership rights for the Property. During the term of the above-mentioned land use rights, the Jilin Xisheng shall have the right to occupy and use the Property in accordance with the PRC law, and also have the right to dispose the Property by transferring, leasing, mortgaging or other legal means.

VALUATION PARTICULARS

Group II – Property interests held by the Group for investment purpose

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024								
5	<p>Various retail units of Guangze International Shopping Centre, No. 135 Hunjiang Dajie, Hunjiang District, Baishan, Jilin Province, PRC</p> <p>Guangze International Shopping Centre (the “Development”) is a residential and retail development erected on irregularly shaped plot, with a site area of approximately 29,933.99 sq.m. completed in 2015.</p> <p>According to the information provided, the Property comprises various retail shops located on Basement 1, Level 1 to 5 of the Development. Car parking spaces are located on Basement 2 of the Development. They are in reinforced concrete structure. The Property has a total gross floor area (GFA) of approximately 80,938.39 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>65,476.32</td> </tr> <tr> <td>Car park (23 lots)</td> <td><u>15,462.07</u></td> </tr> <tr> <td>Total:</td> <td><u>80,938.39</u></td> </tr> </tbody> </table> <p>Pursuant to the State-owned Land Use Rights Certificates provided, the land-use rights of the Property have been granted for a term expiring on 18 August 2084 for residential use.</p>	Portion	GFA (sq.m.)	Commercial	65,476.32	Car park (23 lots)	<u>15,462.07</u>	Total:	<u>80,938.39</u>	<p>At the time of our inspection, the Property was leased to various tenants for retail use. The tenants held different terms with the latest expiration date on 31 December 2032. The monthly rent was approximately RMB522,000 exclusive of management fee and Value-added Tax (VAT). The occupancy rate of the Property was about 67.7% based on net lettable area.</p>	<p>RMB469,200,000 (RENMINBI FOUR HUNDRED SIXTY NINE MILLION AND TWO HUNDRED THOUSAND)</p>
Portion	GFA (sq.m.)										
Commercial	65,476.32										
Car park (23 lots)	<u>15,462.07</u>										
Total:	<u>80,938.39</u>										

Notes:

- i) Pursuant to the Business License issued by the Market Supervision Administration of Baishan, the basic information of Baishan Ground Real Estate Development Co., Ltd. (白山市廣澤房地產開發有限公司) an indirect wholly-owned subsidiary of the Company, hereinafter referred to as “Baishan Ground” is as follows:

Enterprise Name:	Baishan Ground Real Estate Development Co., Ltd.
Social Credit Code	91220601578912874X
Type	Limited Liability Company (sole proprietorship of a legal entity that is not invested or controlled by a natural person)
Legal Representative	Jiang Hui
Registered Capital	RMB50,000,000

Date of Establishment	8 August 2011
Operating Period	From 8 August 2011, to long-term
Address	Floor 1-2, Commercial Unit 000101, Building G1, Guangze China House Neighborhood, Hunjiang District, Baishan
Scope of Business	Real estate development; Decoration and renovation; Sales and rental of commercial shops; Sales of: gold jewellery, jewellery, clothing and footwear, daily necessities (excluding fireworks), office supplies, furniture, household appliances, local specialty products, agricultural and sideline products, handicrafts, hardware and building materials (excluding timber), textiles, cosmetics; Rental of self-owned parking spaces; Design, production and agency of advertisements; Conference and exhibition services; Market research; Automobile rental (Projects that are subject to approval by law can only be carried out after being approved by the relevant departments)

ii) Pursuant to the following State-owned Land-use Rights Certificates, the land-use rights of the Property have been granted to Baishan Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Baishan Shi Guo Yong (2013) Di 060000101 Hao	31 May 2013	Wholesale and Retail	19,832.40
Total:				19,832.40

iii) Pursuant to the following Real Estate Ownership Certificates, the ownership of the Property has been granted to Baishan Ground. Details are listed below:

No.	Certificate No.	Usage	Site Area	GFA
1	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024707	Retail	Joint Ownership: 11,630.39	2,034.27
2	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024706	Retail		1,735.84
3	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024698	Retail		1,536.25
4	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024703	Retail		3,148.05
5	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024702	Retail		1,689.11
6	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024705	Retail		1,326.08
7	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024699	Retail		1,519.81
8	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024700	Retail		910.25
9	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024704	Retail		1,358.65
10	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024701	Retail		745.15
11	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021498	Residential/ Car Park		5,872.70
12	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023120	Retail		705.76
13	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021791	Retail		53.98
14	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021792	Retail		53.98
15	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021784	Retail		65.60
16	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021753	Retail		67.87

No.	Certificate No.	Usage	Site Area	GFA
17	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021785	Retail		61.31
18	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021786	Retail		61.31
19	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021788	Retail		61.31
20	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021787	Retail		61.31
21	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021748	Retail		68.34
22	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023117	Retail		856.12
23	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023820	Retail		992.17
24	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023121	Retail		805.87
25	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023119	Retail		760.82
26	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023123	Retail		722.95
27	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023122	Retail		33.02
28	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021772	Retail		46.76
29	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021780	Retail		42.43
30	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021781	Retail		42.43
31	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021782	Retail		41.57
32	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023118	Retail		267.82
33	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021761	Retail		52.60
34	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021762	Retail		47.93
35	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021763	Retail		47.93
36	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023821	Retail		945.3
37	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021760	Retail		755.61
38	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021783	Retail		67.85
39	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021790	Retail		57.32
40	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021756	Retail		89.29
41	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021746	Retail		89.29
42	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021757	Retail		93.62
43	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021503	Retail		103.52
44	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021747	Retail		73.03
45	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021764	Retail		47.00
46	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021765	Retail		47.00
47	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021766	Retail		47.00
48	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021767	Retail		47.00
49	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021789	Retail		60.78
50	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021768	Retail		47.00
51	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021769	Retail		47.00
52	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021770	Retail		47.00
53	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021501	Retail		448.92
54	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021514	Retail		1,547.93
55	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021758	Retail		1,461.16
56	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021513	Retail		1,159.66
57	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021512	Retail		683.85
58	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021511	Retail		208.96
59	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021509	Retail		197.08
60	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021507	Retail		209.91
61	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021506	Retail		489.07
62	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021510	Retail		553.87
63	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021505	Retail		1,411.01
64	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021504	Retail		286.42
65	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021515	Retail		284.28
66	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021502	Retail		1,492.89
67	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021500	Retail		448.20

No.	Certificate No.	Usage	Site Area	GFA
68	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021499	Retail		991.88
69	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0021508	Retail		12,002.36
70	Ji (2021) Baishan Shi Bu Dong Chan Quan No. 0013993	Retail		4,061.37
71	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023803	Retail	Joint Ownership: 18,303.60	56.50
72	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023811	Retail		322.53
73	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023810	Retail		54.69
74	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024242	Retail		711.81
75	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023812	Retail		1,180.78
76	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023813	Retail		689.55
77	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023807	Retail		384.61
78	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023809	Retail		517.24
79	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024240	Retail		601.82
80	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024243	Retail		252.76
81	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0019809	Retail		86.98
82	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024266	Retail		268.57
83	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024241	Retail		656.57
84	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024244	Retail		362.11
85	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0019811	Retail		112.51
86	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023819	Retail		608.50
87	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0019812	Retail		30.60
88	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0019813	Retail		91.89
89	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023808	Retail		249.69
90	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023814	Retail		246.76
91	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023815	Retail		414.89
92	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023708	Retail		731.86
93	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0019808	Retail		64.84
94	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0019810	Retail		65.94
95	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023816	Retail		283.3
96	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023806	Retail		322.37
97	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023804	Retail		444.55
98	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023805	Retail		249.00
99	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0023818	Retail		263.20
100	Ji (2018) Baishan Shi Bu Dong Chan Quan No. 0024239	Retail		289.23
101	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016444	Retail		16.57
102	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016445	Retail		26.90
103	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016446	Retail		20.60
104	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016455	Retail		20.41
105	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016456	Retail		16.70
106	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016457	Retail		23.85
107	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016458	Retail		11.56
108	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016459	Retail		13.27
109	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016460	Retail		31.54
110	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016461	Retail		22.26
111	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016462	Retail		21.05
112	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016463	Retail		22.26
113	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016520	Retail		14.91
114	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016521	Retail		26.28
115	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016522	Retail		20.85
116	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016523	Retail		26.90

No.	Certificate No.	Usage	Site Area	GFA
117	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016524	Retail		36.07
118	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016525	Retail		24.12
119	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016526	Retail		21.46
120	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016527	Retail		27.17
121	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016528	Retail		40.29
122	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016529	Retail		40.29
123	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016530	Retail		28.62
124	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016531	Retail		42.41
125	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016532	Retail		64.88
126	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016533	Retail		41.50
127	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016534	Retail		21.91
128	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016535	Retail		34.99
129	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016536	Retail		28.66
130	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016537	Retail		20.85
131	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016538	Retail		18.75
132	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016539	Retail		19.42
133	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016540	Retail		16.22
134	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016541	Retail		26.59
135	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016542	Retail		18.82
136	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016543	Retail		24.93
137	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016544	Retail		15.30
138	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016545	Retail		22.42
139	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016546	Retail		18.55
140	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016547	Retail		19.08
141	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016548	Retail		23.79
142	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016549	Retail		23.95
143	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016550	Retail		17.78
144	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016551	Retail		22.11
145	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016552	Retail		25.51
146	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016553	Retail		277.52
147	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016554	Retail		19.44
148	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016555	Retail		14.38
149	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016556	Retail		16.94
150	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016557	Retail		21.95
151	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016558	Retail		387.74
152	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016559	Retail		279.83
153	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016560	Retail		15.35
154	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016561	Retail		16.85
155	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016686	Retail		14.40
156	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016687	Retail		23.46
157	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016688	Retail		18.95
158	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016689	Retail		19.68
159	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016690	Retail		18.90
160	Ji (2019) Baishan Shi Bu Dong Chan Quan No. 0016691	Retail		9.85
		Total:	<u>29,933.99</u>	<u>71,394.02</u>

iv) The general description and market information of the Property are summarized below:

Location	The Property is located No. 135 Hunjiang Dajie, Hunjiang District, Baishan, Jilin Province, PRC.
Transportation	Baishan Changbaishan Airport is located approximately 99 kilometres away from the Property. Also, taxi and bus are readily available in the locality.
Nature of Surrounding Area	The subject area is a predominately residential and commercial area.

v) In assessing the market value of the Property, we have made reference to rental and sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include retail monthly rental rates (Level 1) ranges from RMB130 to RMB143 psm; carparking space from RMB90,000 to RMB130,000 per lot. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, etc. to determine the unit price of the Property.

vi) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
Real Estate Ownership Certificate	Yes
Rent Roll	Yes
Business License	Yes

vii) We have been provided with a legal opinion on the Property prepared by the Company’s PRC legal advisor, Commerce & Finance Law Office (通商律師事務所) which contains, inter alia, the following information:

1. Baishan Ground has obtained the real estate ownership certificate related to the land of the Property. Baishan Ground has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
2. Baishan Ground has legally owned the relevant land use rights and ownership rights for the Property. During the term of the above-mentioned land use rights, the Baishan Ground shall have the right to occupy and use the Property in accordance with the PRC law, and also have the right to dispose the Property by transferring, leasing, mortgaging or other legal means.

VALUATION PARTICULARS

Group III – Property interests held by the Group under development

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024																				
6	<p>Changbaishan Ground Pine Township International Resort (the “Development”) is a large-scale tourist complex development erected on irregularly shaped plot with a site area of approximately 668,922.67 sq.m.</p> <p>According to the information provided, the Property will comprise 4 hospitality buildings, a hot spring centre and parcels of vacant land. The Property will have a total planned gross floor area (GFA) of approximately 676,497.47 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Hotel A</td> <td>14,889.18</td> </tr> <tr> <td>Hotel B</td> <td>16,404.30</td> </tr> <tr> <td>Hotel C</td> <td>13,267.75</td> </tr> <tr> <td>Hotel D</td> <td>13,085.40</td> </tr> <tr> <td>Hot Spring Centre</td> <td>16,241.55</td> </tr> <tr> <td>Commercial Service</td> <td>328,025.28</td> </tr> <tr> <td>Residential</td> <td>260,437.28</td> </tr> <tr> <td>Public Facilities</td> <td>14,146.73</td> </tr> <tr> <td>Total:</td> <td><u>676,497.47</u></td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	Hotel A	14,889.18	Hotel B	16,404.30	Hotel C	13,267.75	Hotel D	13,085.40	Hot Spring Centre	16,241.55	Commercial Service	328,025.28	Residential	260,437.28	Public Facilities	14,146.73	Total:	<u>676,497.47</u>	At the time of our inspection, the four hospitality buildings and the hot spring centre were under construction, whilst the remaining portion of the Property was vacant land.	<p>RMB1,166,000,000 (RENMINBI ONE BILLION ONE HUNDRED SIXTY SIX MILLION)</p> <p>Breakdown of Value: Hotels and Hot Spring Centre: RMB300,000,000</p> <p>Vacant Land: RMB866,000,000</p>
Portion	GFA (sq.m.)																						
Hotel A	14,889.18																						
Hotel B	16,404.30																						
Hotel C	13,267.75																						
Hotel D	13,085.40																						
Hot Spring Centre	16,241.55																						
Commercial Service	328,025.28																						
Residential	260,437.28																						
Public Facilities	14,146.73																						
Total:	<u>676,497.47</u>																						

As advised by the Company, hospitality buildings and hot spring centre portion of the Property will be completed in September 2025. The remaining portion was still vacant land.

Pursuant to the land-use rights certificate provided, the land-use rights of the Property have been granted for three concurrent terms expiring on 8 November 2052 for commercial service use, 8 November 2062 for public facilities use and 8 November 2082 for residential use respectively.

Notes:

- i) Pursuant to the Business License issued by the Market Supervision Administration of Fusong, the basic information of Fusong Ground Real Estate Development Co., Ltd. an indirect wholly-owned subsidiary of the Company, (hereinafter referred to as “Fusong Ground”) is as follows:

Enterprise Name:	Fusong Ground Real Estate Development Co., Ltd.
Social Credit Code	912206215988085565
Type	Limited Liability Company (sole proprietorship of a legal entity that is not invested or controlled by a natural person)
Legal Representative	Jiang Hui
Registered Capital	RMB110,000,000
Date of Establishment	6 July 2012
Operating Period	From 6 July 2012, to long-term
Address	Group 6, Committee 3, Songjiang Street, Songjiang River Town, Fusong County
Scope of Business	Real Estate Development and Operations (Operate with Qualification Certificate) (Projects that are subject to approval by law can only be carried out after being approved by the relevant departments)

- ii) Pursuant to the following Real Estate Ownership Certificates, the building ownership of the Property located at Donggang Town, with a total site area of 668,922.67 sq.m., is vested in Fusong Ground. The details are listed below:

No.	Certificate No.	Issue Date	Usage	Lot Name	GFA
1	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000234	10 March 2017	Commercial and Residential	A-2-2	60,901.00
2	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000228	10 March 2017	Commercial Service	A-8-1	59,066.72
3	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000235	10 March 2017	Commercial Service	A-8-2	46,631.38
4	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000233	10 March 2017	Public Facilities	A-11-5	14,680.00
5	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000238	10 March 2017	Commercial Service	B-1-1	73,672.23
6	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000236	10 March 2017	Commercial Service	B-2	30,904.37
7	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000240	10 March 2017	Commercial Service	B-3	36,908.46
8	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000227	10 March 2017	Commercial Service	B-4-1	32,127.18
9	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000237	10 March 2017	Commercial Service	B-4-2	31,771.38

No.	Certificate No.	Issue Date	Usage	Lot Name	GFA
10	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000225	10 March 2017	Commercial Service	B-4-3	31,482.88
11	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000232	10 March 2017	Commercial Service	B-5-1	32,235.54
12	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000226	10 March 2017	Commercial Service	B-5-2	62,434.19
13	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000239	10 March 2017	Commercial and Residential	B-6-2	69,585.31
14	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000230	10 March 2017	Commercial and Residential	B-6-3	9,121.00
15	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000229	10 March 2017	Commercial and Residential	B-7-1	29,201.99
16	Ji (2017) Fu Song Xian Bu Dong Chan Quan No. 0000231	10 March 2017	Commercial and Residential	B-7-2	48,199.04
Total:					<u>668,922.67</u>

iii) Pursuant to the following Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Fusong Ground. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Lot Name	Site Area
1	Fu Xin Cheng DI Zi No. 2015012-11	6 July 2015	Residential	A-2-2	60,901.00
2	Fu Xin Cheng DI Zi No. 2015012-12	20 July 2015	Hotel	A-8-1	59,066.72
3	Fu Dong Gang Di Zi No. 2014005	23 April 2014	Hotel	A-8-2	46,631.38
4	Fu Xin Cheng Di Zi No. 2014006	25 April 2014	Heating	A-11-5	14,680.00
5	Fu Xin Cheng DI Zi No. 2015012-1	6 July 2015	Hotel	B-1-1	86,506.67
6	Fu Xin Cheng DI Zi No. 2015012-2	6 July 2015	Hotel	B-2	36,751.73
7	Fu Xin Cheng DI Zi No. 2015012-3	6 July 2015	Hotel	B-3	43,483.29
8	Fu Xin Cheng DI Zi No. 2015012-4	6 July 2015	Hotel	B-4-1	37,575.83
9	Fu Xin Cheng Di Zi No. 2014007	23 April 2014	Hotel	B-4-2	31,771.79
10	Fu Xin Cheng Dong Gang Di Zi No. 2014008	23 April 2014	Retail	B-4-3	31,482.88
11	Fu Xin Cheng DI Zi No. 2015012-5	6 July 2015	Hotel	B-5-1	36,463.37
12	Fu Xin Cheng DI Zi No. 2015012-6	6 July 2015	Hotel	B-5-2	68,717.76

No.	Certificate No.	Issue Date	Usage	Lot Name	Site Area
13	Fu Xin Cheng DI Zi No. 2015012-7	6 July 2015	Residential	B-6-2	105,776.24
14	Fu Xin Cheng DI Zi No. 2015012-8	6 July 2015	Residential	B-6-3	9,121.10
15	Fu Xin Cheng DI Zi No. 2015012-9	6 July 2015	Residential	B-7-1	32,543.17
16	Fu Xin Cheng DI Zi No. 2015012-10	6 July 2015	Residential	B-7-2	53,233.05
				Total	<u>754,705.98</u>

- iv) Pursuant to the following Construction Work Planning Permits, the planning of the construction work of the Property has been approved to Fusong Ground. Details are listed below:

No.	Certificate No.	Issue Date	Lot Name	Construction Scale
1	Fu Xin Cheng Jian Zi Di 2015024 Hao	31 July 2015	A-8-1	76,002.64
2	Fu Xin Cheng Jian Zi Di 2016027 Hao	14 December 2016	B-1-1	33,367.20
3	Fu Xin Cheng Jian Zi Di 2016028 Hao	14 December 2016	B-2	50,883.11
4	Fu Xin Cheng Jian Zi Di 2016029 Hao	14 December 2016	B-3	32,323.26
5	Fu Xin Cheng Jian Zi Di 2016030 Hao	14 December 2016	B-4-1	24,567.79
6	Fu Xin Cheng Jian Zi Di 2016031 Hao	14 December 2016	B-4-2	30,706.31
7	Fu Xin Cheng Jian Zi Di 2016032 Hao	14 December 2016	B-4-3	36,443.82
8	Fu Xin Cheng Jian Zi Di 2016033 Hao	14 December 2016	B-5-1	22,350.54
9	Fu Xin Cheng Jian Zi Di 2016034 Hao	14 December 2016	B-5-2	43,388.48
10	Fu Xin Cheng Jian Zi Di 2016036 Hao	14 December 2016	B-6-2	83,673.99
11	Fu Xin Cheng Jian Zi Di 2016035 Hao	14 December 2016	B-6-3	9,301.24
12	Fu Xin Cheng Jian Zi Di 2016037 Hao	14 December 2016	B-7-1	43,390.07
13	Fu Xin Cheng Jian Zi Di 2016038 Hao	14 December 2016	B-7-2	52,747.98
Total:				<u>539,146.43</u>

- v) Pursuant to the following Construction Work Commencement Permits, the construction work of the Property has been approved to commence by Fusong Ground. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	220621201510180101	18 October 2015	Plot A-8-1, Hotel A, B and E	49,125.84
2	220621201509180201	18 September 2015	Plot A-8-1, Hotel C and D	26,576.80
3	220621201612290101	29 December 2016	Plot B-1-1, Hotel and Commercial Street	33,367.20
4	220621201612290301	29 December 2016	Plot B-2, Hotel and Commercial Street	50,883.11
5	220621201612290201	29 December 2016	Plot B-3, Hotel and Commercial Street	32,323.26

xi) As advised by the Company, the total budget construction cost of the Property is approximately RMB611,000,000 and upon the valuation date, the paid-up construction cost is approximately RMB307,000,000, which has been taken into account in our valuation.

xii) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
Real Estate Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business License	Yes

xiii) We have been provided with a legal opinion on the Property prepared by the Company’s PRC legal advisor, Commerce & Finance Law Office (通商律師事務所) which contains, inter alia, the following information:

1. Fusong Ground has obtained the real estate ownership certificate related to the Development. Fusong Ground has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
2. Regarding the Development, the Company has confirmed that it has obtained relevant construction permits in respect of the actual construction progress of different land parcels, which are as follows: land parcels A-2-2, A-8-2, A-11-5 have obtained Construction Land Planning Permits; land parcels A-8-1, B-1-1, B-2, B-3, B-4-1, B-4-2, B-4-3, B-5-1, B-5-2, B-6-2, B-6-3, B-7-1, B-7-2 have obtained Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits. According to the Company’s legal advisor, Commerce & Finance Law Office (通商律師事務所), the Company may proceed with the Development and construction in accordance with the above obtained construction documents.
3. For the land parcels A-2-2, A-8-1, B-1-1, B-2, B-3, B-6-2, B-6-3, and B-7-2 of the Development, there are instances where the land premiums have not been fully paid. According to the Company’s legal advisor, Commerce & Finance Law Office (通商律師事務所), unless these land premiums are settled, the relevant land use rights cannot be disposed of or transferred.
4. According to the Company’s information, the land parcels A-2-2, A-8-2, and A-11-5 of the Development have not commenced construction or have had development and construction suspended for over a year. Under the “Measures for the Disposal of Idle Land”, the aforementioned land parcels are at risk of being identified as idle land by the relevant authorities, which may result in the Company being required to pay idle land fees or have the land forfeited without compensation. The Company has stated that it has not reached any agreement with the relevant government departments for compensated reclamation of the land, nor has it received any “Notice of Investigation on Idle Land” or “Certification of Idle Land” issued by the relevant authorities.
5. The land parcels A-2-2, A-8-2, A-11-5, B-1-1, B-2, B-3, B-4-1, B-4-2, B-4-3, B-5-1, B-5-2, B-6-2, B-6-3, B-7-1 and B-7-2 will become transferrable once the aforementioned land parcels reach more than 25% of the total development investment amount in accordance with the relevant PRC laws and regulations.
6. Except as otherwise provided above in this section, Fusong Ground has legally owned the relevant land use rights for the project under construction and the land use rights of the vacant land. Its rights and interests are protected by PRC law. During the term of the above-mentioned land use rights, Fusong Ground shall have the right to occupy, use and develop the Property in accordance with the PRC law, and also have the right to dispose of the relevant land use rights and houses by transferring, leasing, mortgaging or other legal means.

VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 March 2024										
7	<p>Jiuxi Red House Phase 2 (九溪紅府二期), Intersection of Jiutai Yinbin Road and Wenti Avenue (extended section), Jiutai District, Changchun, Jilin Province, PRC</p> <p>Jiuxi Red House (the “Development”) is a residential development comprises two phases. It erected on irregularly shaped plot with a site area of approximately 58,669.00 sq.m.</p> <p>According to the information provided, the Property will comprise 480 residential units, 13 retail units and 111 car parking spaces upon completion. The Property will have a total planned gross floor area (GFA) of approximately 58,923.28 sq.m., details of which are listed below:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>53,622.09</td> </tr> <tr> <td>Retail</td> <td>1,709.51</td> </tr> <tr> <td>Car Park Spaces (111 lots)</td> <td>3,591.68</td> </tr> <tr> <td>Total:</td> <td><u>58,923.28</u></td> </tr> </tbody> </table>	Portion	GFA (sq.m.)	Residential	53,622.09	Retail	1,709.51	Car Park Spaces (111 lots)	3,591.68	Total:	<u>58,923.28</u>	At the time of our inspection, the Property was under construction.	RMB230,000,000 (RENMINBI TWO HUNDRED THIRTY MILLION)
Portion	GFA (sq.m.)												
Residential	53,622.09												
Retail	1,709.51												
Car Park Spaces (111 lots)	3,591.68												
Total:	<u>58,923.28</u>												

As advised by the Company, the Property will be completed in September 2024.

Pursuant to the land-use rights certificate provided, the land-use rights of the Property have been granted for two concurrent terms expiring on 16 July 2060 for commercial service use and 16 July 2090 for residential respectively.

Notes:

- i) Pursuant to the Business License issued by the Changchun Market Supervision Administration Jiutai Branch, the basic information of Jilin Province Xisheng Real Estate Development Co., Ltd. (吉林省熙盛房地產開發有限公司) an indirect wholly-owned subsidiary of the Company, (hereinafter referred to as “Jilin Xisheng”) is as follows:

Enterprise Name:	Jilin Xisheng Real Estate Development Co., Ltd.
Social Credit Code	91220100MA17JA1F52
Type	Limited Liability Company (sole proprietorship of a legal entity invested or controlled by a natural person)
Legal Representative	Yin Chuan Xu
Registered Capital	RMB30,000,000
Date of Establishment	3 June 2020
Operating Period	3 June 2020 to 3 June 2040
Address	Yingbin Road (Jiuxi Red House Sales Office), Jiutai District, Changchun City
Scope of Business	Real estate development and operation (projects that require approval by law can only be carried out after approval by relevant departments)

- ii) Pursuant to the following Real Estate Ownership Certificates, the ownership of the Property has been granted to Jilin Xisheng. The details are listed below:

No.	Certificate No.	Usage	GFA
1	Ji (2023) Jiutai Qu Bu Dong Chan Quan Di 0009591 Hao	Residential	<u>28,028.00</u>
Total:			<u>28,028.00</u>

- iii) Pursuant to the following Construction Land Planning Permit, the planning of the construction land of the Property has been approved to Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Usage	Site Area
1	Di Zi Di 220113202210007 Hao	23 June 2022	Commercial and Residential	<u>28,028.00</u>
Total:				<u>28,028.00</u>

iv) Pursuant to the following Construction Work Planning Permits, the planning of the construction work of the Property has been approved to Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Construction Scale
1	Jian Zi Di 220113202210021 Hao	7 November 2022	62,824.98
Total:			<u>62,824.98</u>

v) Pursuant to the following Construction Work Commencement Permits, the construction work of the Property has been approved to commence by Jilin Xisheng. Details are listed below:

No.	Certificate No.	Issue Date	Project Name	Construction Scale
1	No. 220113202305150101	15 May 2023	Guangze Jiuxi Red House (Phase 2) First Section (Y1, Y2, G1, G2, G3)	29,221.07
2	No. 220113202305120101	12 May 2023	Guangze Jiuxi Red House (Phase 2) Second Section	33,603.91
Total:				<u>62,824.98</u>

vi) The general description and market information of the Property are summarized below:

Location	The Property is located Intersection of Jiutai Yinbin Road and Wenti Avenue (extended section), Jiutai District, Changchun, Jilin Province, PRC.
Transportation	Changchun Longjia International Airport is located approximately 14.2 kilometres away from the Property. Also, taxi and bus are readily available in the locality.
Nature of Surrounding Area	The subject area is a predominately residential and commercial area.

vii) In assessing the market value of the Property, we have made reference to sales prices of similar properties in the vicinity. Comparable properties are located in the same district with similar conditions, size and tenure, etc. Comparable that had been selected include residential ranges from RMB4,700 to RMB5,300 psm; retail (Level 1) ranges from RMB9,800 to RMB14,200 psm; and the carparking space ranges from RMB60,000 to RMB75,000 per lot. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, etc. to determine the unit price of the Property.

viii) The market value as if completed of the Property as at the Valuation Date is assessed at approximately RMB310,000,000.

- ix) According to the information provided, as at the valuation date, portion of the Property with a total GFA of 5,524.73 sq.m. have been pre-sold with a total sales amount of approximately RMB30,313,723. As instructed by the Company, we have taken into account the said sales amount (i.e. RMB30,313,723) in our valuation.
- x) As advised by the Company, the total budget construction cost of the Property is approximately RMB184,000,000 and upon the valuation date, the paid-up construction cost is approximately RMB123,000,000, which has been taken into account in our valuation.
- xi) As advised by the Company, Jilin Xisheng has obtained the necessary construction permits of development and no onerous conditions have been attached to the permits which affect the value.
- xii) Copies of instruments in respect of the status of title and grant of major approvals and licenses of the Property provided to us are as follows:

Document/Approval	Availability
Real Estate Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business License	Yes

- xiii) We have been provided with a legal opinion on the Property prepared by the Company’s PRC legal advisor, Commerce & Finance Law Office (通商律師事務所), which contains, inter alia, the following information:
 1. Jilin Xisheng has obtained the real estate ownership certificate related to the Development. Jilin Xisheng has legally owned the relevant land use rights and property ownership of the Property, and its rights are protected by PRC law;
 2. Jilin Xisheng has obtained the necessary construction permits in accordance with the Development. According to the Company’s legal advisor, Commerce & Finance Law Office (通商律師事務所), the Company may proceed with the Development and construction in accordance with the above obtained construction permits.
 3. Upon completion of construction in accordance with the approved construction documents and obtaining the full acceptance certificate as required by law, Jilin Xisheng will apply for the relevant property rights documents in accordance with the relevant laws and regulations. Upon acceptance by the competent authority, there are no substantial legal obstacles to obtaining the corresponding property ownership certificates.

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.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of information (other than those relating to the Concert Party Group) contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Subscriber in his capacity as such) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber, being Mr. Cui Mindong, accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group), and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately upon allotment and issue of the Capitalisation Shares (assuming there is no other change in the issued share capital of the Company other than the issue of the Capitalisation Shares) is as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal value per share	Number of shares
Authorised ordinary shares:		
As at the Latest Practicable Date	HK\$0.05	15,600,000,000
Authorised unlisted limited voting non-redeemable convertible preference shares:		
As at the Latest Practicable Date	HK\$0.05	4,539,352,941
Issue and fully paid:		
As at the Latest Practicable Date	HK\$0.05	7,203,638,808

- (ii) **Share capital immediately upon allotment and issue of the Capitalisation Shares assuming there is no other change in the issued share capital of the Company other than the issue of the Capitalisation Shares**

	Nominal value per share	Number of shares
Authorised ordinary shares:		
As at the Latest Practicable Date	HK\$0.05	15,600,000,000
Authorised unlisted limited voting non-redeemable convertible preference shares:		
As at the Latest Practicable Date	HK\$0.05	4,539,352,941
Issue and fully paid:		
As at the Latest Practicable Date	HK\$0.05	12,263,638,808

Save for the unlisted limited voting non-redeemable convertible preference shares as disclosed above, all issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

As at the Latest Practicable Date, save for the 2021 Convertible Bonds, 2023 Convertible Bonds and the Share Options, the Company has no outstanding options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The Capitalisation Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Capitalisation Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

No Share has been issued since 31 March 2024 (being the date on which the latest audited financial statement of the Company were made up) and up to the Latest Practicable Date.

Save for the preference shares which is unlisted, all other issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

As at the Latest Practicable Date, save as disclosed above, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICE

The table below sets out the closing prices per Share as quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the period commencing on the date falling six months preceding 14 May 2024, being the date of the Announcement, up to and including the Latest Practicable Date (“**Relevant Period**”); (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share <i>(HK\$)</i>
31 October 2023	0.156
30 November 2023	0.147
29 December 2023	0.165
30 January 2024	0.086
29 February 2024	0.078
28 March 2024	0.060
24 April 2024 (being the Last Trading Day)	0.042
30 April 2024	Suspended (<i>Note</i>)
31 May 2024	0.060
26 June 2024 (being the Last Practicable Date)	0.045

Note: Trading of the Shares was suspended from 26 April to 13 May 2024 pending the release of the Announcement.

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.165 on 29 December 2023 and HK\$0.042 on 24 April 2024, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors’ and chief executives’ interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and 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 they were 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code were as follows:

(i) *Interests in Shares*

Name of Directors/chief executive	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued Shares (Note 1)
Ms. Cui	Interest in a controlled corporation	Long	2,229,101,065 (Note 2)	30.94%
Mr. Cui	Interest of spouse	Long	850,000 (Note 3)	0.01%

(ii) *Interests in underlying shares of the Company*

Name of Directors/chief executive	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued Shares (Note 1)
Ms. Cui	Settlor of a trust	Long	264,299,307 (Note 4)	3.67%
Mr. Xu Yingchuan	Beneficiary owner	Long	1,000,000 (Note 5)	0.01%

Notes:

- The percentages had been calculated on the basis of 7,203,638,808 issued Shares as at the Latest Practicable Date.
- These 2,229,101,065 Shares consist of (i) 434,320,694 Shares held by Charm Success Group Limited (“**Charm Success**”) and (ii) 1,794,780,371 Shares held by Ka Yik. Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited (“**Deep Wealth**”), which is in turn wholly held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of part XV of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik and Mr. Lee Ken-yi, Terence (“**Mr. Lee**”) (Ms. Cui’s spouse) for the purpose of SFO.
- Mr. Cui is deemed to be interested in 850,000 Shares by virtue of Part XV of the SFO which are beneficially owned by his spouse, Ms. Chai.
- As set out in note 2 above, Ka Yik is a company held under the Ground Trust where Ms. Cui is the settlor and protector. Ms. Cui is deemed to be interested in those underlying shares of the Company held by Ka Yik by virtue of the SFO and such interest duplicated Ms. Cui’s partial interest for the purpose of SFO. Those 264,299,307 underlying shares consist of convertible bonds in an aggregate principal amount of HK\$103,076,730 (convertible into 264,299,307 Shares in total) to be issued by the Company to Ka Yik pursuant to a subscription agreement dated 7 September 2021 (supplemented by a supplemental letter dated 28 September 2021 and supplemental agreement dated 22 October 2021) entered into between the Company and Ka Yik

which were approved by the Shareholders on 26 November 2021 and the issuance of which will be subject to the Stock Exchange granting the listing of and permission to deal in the conversion shares held by Ka Yik. All of such underlying shares are unlisted and physically settled under SFO.

5. Those underlying Shares are the share options granted by the Company under the share option scheme of the Company. All of such underlying Shares are unlisted and physically settled under SFO.

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

As at the Latest Practicable Date, save for Ms. Cui who is a director of Charm Success and Ka Yik, none of the Directors is a director or employee of a company which has interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' and other persons' interests or short position in the securities of the Company and its associated corporations

As at the Latest Practicable Date, so far as known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short position in the Shares or underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

(i) *Interests in Shares*

Name of Shareholder	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued Shares (Note 1)
Charm Success	Registered owner	Long	434,320,694 (Note 2)	6.03%
Ka Yik	Registered owner	Long	1,794,780,371 (Notes 2 and 4)	24.91%
TMF (Cayman) Ltd.	Trustee	Long	2,229,101,065 (Note 2)	30.94%
Deep Wealth Holding Limited ("Deep Wealth")	Interest in controlled corporation	Long	2,229,101,065 (Note 2)	30.94%
Mr. Lee Ken-yi Terence ("Mr. Lee")	Interest of spouse	Long	2,229,101,065 (Note 2)	30.94%
Mr. Sui Guangyi ("Mr. Sui")	Interest in controlled corporation	Long	1,042,000,000 (Note 5)	14.46%
Ding Yi Feng Holdings Group International Limited	Interest in controlled corporation	Long	1,042,000,000 (Note 5)	14.46%
Flying Goddess Limited	Interest in controlled corporation	Long	1,042,000,000 (Note 5)	14.46%
Eternity Sky Limited	Interest in controlled corporation	Long	1,042,000,000 (Note 5)	14.46%
Final Destination Limited	Interest in controlled corporation	Long	1,042,000,000 (Note 5)	14.46%
Hong Kong Toprich Investment Limited	Beneficial owner	Long	1,042,000,000 (Note 5)	14.46%
Integrated Asset Management (Asia) Limited	Beneficial owner	Long	647,398,307 (Note 6)	8.99%
Mr. Yam Tak Cheung	Interest in controlled corporation	Long	647,398,307 (Note 6)	8.99%
Mr. Jiang Jinbo	Interest in controlled corporation and beneficial owner	Long	630,000,000 (Note 7)	8.75%

(ii) *Interests in underlying shares of the Company*

Name of Shareholder	Nature of interest	Position	No. of underlying Shares held	Approximate percentage of issued Shares (Note 1)
Ka Yik	Registered owner	Long	264,299,307 (Note 3)	3.67%
TMF (Cayman) Ltd.	Trustee	Long	264,299,307 (Note 3)	3.67%
Deep Wealth	Interest in controlled corporation	Long	264,299,307 (Note 3)	3.67%
Mr. Lee	Interest of spouse	Long	264,299,307 (Note 2)	3.67%

Notes:

- The percentages had been calculated on the basis of 7,203,638,808 issued Shares as at the Latest Practicable Date.
- Charm Success and Ka Yik are companies wholly owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik Mr. Lee by being the spouse of Ms. Cui, is deemed to be interested in the Shares and underlying shares of the Company deemed to be interested by Ms. Cui.
- As at the Latest Practicable Date, those 264,299,307 underlying shares consist of convertible bonds in an aggregate principal amount of HK\$103,076,730 (convertible into 264,299,307 Shares in total) to be issued by the Company to Ka Yik pursuant to a subscription agreement dated 7 September 2021 (supplemented by a supplemental letter dated 28 September 2021 and supplemental agreement dated 22 October 2021) entered into between the Company and Ka Yik. All of such underlying shares are unlisted and physically settled under SFO. As set out in note 2 above, Ka Yik is wholly owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as trustee of the Ground Trust where Ms. Cui is the settlor and protector. Accordingly, each of TMF (Cayman) Ltd., Deep Wealth and Ms. Cui is deemed to be interested in those underlying shares of the Company by virtue of the SFO.
- Ka Yik entered into a sale and purchase agreement (the “SPA”) on 29 July 2022 pursuant to which Ka Yik agreed to sell 1,000,000,000 Shares (representing approximately 13.88% of the total issued share capital of the Company as at the Latest Practicable Date) to Tianfeng International Holding Limited (“Tianfeng”). Tianfeng is a company wholly owned by Jilin Wanding Holdings Group Co., Ltd.*, which 90%, 5% and 5% of its shares are owned by (i) Mr. Sui Guangyi (“Mr. Sui”), a former non-executive Director not acting in concert with the Concert Party Group; (ii) Mr. Wang Jian (王健), an independent third party not acting in concert with the Concert Party Group; and (iii) Ms. Wang Min (王敏), an independent third party not acting in concert with the Concert Party Group, respectively. As at the Latest Practicable Date, since Tianfeng has not yet fulfilled all of the obligations undertaken by it (i.e. the only outstanding obligation being the undertaking by Tianfeng to procure the Group to

discharge any corporate guarantee given by Ka Yik or its associates as a security for the Group's borrowing when fall due or upon re-financing), notwithstanding the consideration payable by Tianfeng under the SPA has been fully settled, the completion of the SPA has not taken place and the transaction has not completed yet. Accordingly, Ka Yik remains to be the legal and beneficial owner of the 1,000,000,000 Shares as at the Latest Practicable Date.

5. These 1,042,000,000 Shares are held by Hong Kong Toprich Investment Limited, which is in turn wholly owned by Final Destination Limited, which is in turn wholly owned by Eternity Sky Limited, which is in turn wholly owned by Flying Goddess Limited, which is in turn wholly owned by Ding Yi Feng Holdings Group International Limited, a company the shares of which are listed on the Main Board of the Stock Exchange and approximately 22.26% of the issued share capital of which is held by or deemed to be held by Mr. Sui by virtue of Part XV of the SFO.
6. Integrated Asset Management (Asia) Limited is a company wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam Tak Cheung is deemed to be interested in those Shares by virtue of being its controlling shareholder under SFO.
7. These 630,000,000 Shares consists of (i) 330,000,000 Shares held by Mr. Jiang Jinbo (“**Mr. Jiang**”) himself; and (ii) 300,000,000 Shares held by Yuanhui International Holding Limited* (元匯國際控股有限公司), which is in turn wholly-owned by Shenzhen Dingxin Holding Group Company Limited* (深圳市鼎新控股集團有限公司) (“**Shenzhen Dingxin**”). Shenzhen Dingxin is wholly and beneficially owned by Mr. Jiang. Mr. Jiang is both interested in and deemed to be interested in those Shares by virtue of being its controlling shareholder under SFO. Accordingly, Mr. Jiang is deemed to be interested in a total of 630,000,000 Shares by virtue of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the 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 were recorded in the register required to be kept by the Company under section 336 of the SFO.

5. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALING PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, each of the members of the Concert Party Group confirms that:

- (a) the Concert Party Group (excluding Ms. Cui, Ms. Chai, Charm Success and Ka Yik as disclosed in the section headed “Effects of the Loan Capitalisation Agreement on shareholding structure of the Company” in the Letter from the Board contained in this circular) does not hold, own, control or has direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

- (b) save for the Loan Capitalisation Agreement and the transactions contemplated thereunder, none of the Concert Party Group has dealt in the Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or has held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company within the six months immediately prior to the date of the Announcement and up to and including the Latest Practicable Date;
- (c) save for the Loan Capitalisation Agreement and the transactions contemplated thereunder, none of the Concert Party Group has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months immediately prior to the date of the Announcement and up to and including the Latest Practicable Date but subsequent to negotiations, discussions or the reach of understandings or agreements with the Directors (which would include informal discussions) in relation to the proposed issue of Capitalisation Shares;
- (d) none of the Concert Party Group has any agreement, arrangement or understanding pursuant to which the Capitalisation Shares would be transferred, charged or pledged to any other persons;
- (e) save for the subscription contemplated under the Loan Capitalisation Agreement, none of the Concert Party Group will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the date of the Announcement and the completion of the Loan Capitalisation Agreement and the transactions contemplated thereunder;
- (f) save as disclosed in the section headed “Effects of the Loan Capitalisation Agreement on shareholding structure of the Company” in the Letter from the Board contained in this circular, there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by any of the Concert Party Group;
- (g) save for the 2021 Convertible Bonds, none of the Concert Party Group owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (h) save for the Loan Capitalisation Agreement and the transactions contemplated thereunder, there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (i) none of the Concert Party Group has received any irrevocable commitment from any Shareholders as to whether they will vote for or against the resolutions approving the transactions contemplated under the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver at the SGM;

- (j) save for the Loan Capitalisation Agreement and the transactions contemplated thereunder, there is no agreement or arrangement to which the Concert Party Group is a party which relate to the circumstances in which the Concert Party Group may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Loan Capitalisation Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable);
- (k) none of the Concert Party Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (l) save for the Capitalisation Price for the Capitalisation Shares payable under the Loan Capitalisation Agreement (which will be offset by the Loan), none of the Concert Party Group has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in relation to the subscription contemplated under the Loan Capitalisation Agreement; and
- (m) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Concert Party Group and any party acting in concert with them, or (b) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date,

- (a) save for the Loan Capitalisation Agreement, there is no other understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2) the Company, its subsidiaries or associated companies;
- (b) the Company had no shareholding interest or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Subscriber, nor had the Company dealt for value in any shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;
- (c) save for the fact that the ultimate beneficial owners of the Subscriber are (i) Mr. Cui, who is the non-executive Director and the father of Ms. Cui, the chairperson of the Board and the executive Director; and (ii) Ms. Chai, who is the spouse of Mr. Cui and the mother of Ms. Cui, and Ms. Cui is part of the Concert Party Group as disclosed in the paragraph headed “4. Disclosure of Interests” in this appendix, none of the Directors or any persons acting in concert with them was interested in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and in any shares or other securities of the Subscriber. During the Relevant Period, none of the Directors or any persons acting in concert with them had dealt for value in any shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber;

- (d) save for Mr. Cui and Ms. Cui (whose interest in the Shares are disclosed in the paragraph headed “4. Disclosure of Interests” in this appendix), none of the Directors beneficially held any Shares and accordingly, none of them will be entitled to vote at the SGM to accept or reject the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver;
- (e) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers;
- (f) no person had any arrangement of the kind as described to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code;
- (g) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (h) other than Charm Success, Ka Yik and Ms. Chai who are members of the Concert Party Group and Shareholders, there are no other Shareholders who are involved in or interested in the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the Loan Capitalisation), the Specific Mandate and/or the Whitewash Waiver or are required, or indicated to the Company of his/her/its intention, to abstain from voting in the relevant resolutions at the SGM;
- (i) neither the Company nor any of the Directors has borrowed or lent any shares and/or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (j) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the Loan Capitalisation), the Specific Mandate and/or the Whitewash Waiver;
- (k) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the Loan Capitalisation), the Specific Mandate and/or the Whitewash Waiver or otherwise connected with any of them; and
- (l) save for the Loan Capitalisation Agreement, there was no material contract which have been entered into by the Subscriber or the Concert Party Group in which any Director has any material personal interest.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between (i) the Concert Party Group and (ii) any Director, recent Director, shareholder or recent shareholders of the Company having any connection with or dependence upon the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver;
- (b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on/or dependent upon the outcome of the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and/or Whitewash Waiver otherwise connected with the Loan Capitalisation Agreement and the transactions contemplated thereunder, the Specific Mandate and/or Whitewash Waiver; and
- (c) save for Mr. Cui and Ms. Cui who are part of the Concert Party Group and are considered to be interested in the Loan Capitalisation Agreement and the transactions contemplated thereunder, none of the Directors was materially interested in any contract entered into by any member of the Concert Party Group (including the Subscriber).

7. DIRECTORS' INTERESTS IN CONTRACTS, ARRANGEMENTS OR ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group, since 31 March 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

Save for the Loan Capitalisation Agreement, particulars of which are disclosed in the letter from the Board contained in this circular, in which Ms. Cui and Mr. Cui are considered to be interested, as at the Latest Practicable Date, none of the Directors and their respective associates 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.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with the Company, or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within 6 months before the date of the Announcement and up to the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 March 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

10. EXPERTS CONSENT AND QUALIFICATION

The following is the qualification of the experts expert who have given opinion or advice which is contained in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as set out under the SFO
Colliers Appraisal and Advisory Services Co., Ltd.	An independent property valuer

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their opinion or report, and references to their names in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had 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 since 31 March 2024, being the date to which the latest published audited financial statements of the Group were made up.

11. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

12. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is, or may be, engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

13. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date of this circular and are or may be material:

- (a) the Loan Capitalisation Agreement; and
- (b) the placing agreement dated 31 May 2023 entered into between the Company and Kingston Securities Limited in relation to the placing of the 2023 Convertible Bonds, details of which are set out in the announcement of the Company dated 31 May 2023.

14. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ng Man Kit Micky, who is a member of the 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 head office and principal place of business of the Company in Hong Kong is situated at Room 1305, 13th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The correspondence address of the Subscriber is at Room 1305, 13th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.
- (f) The ultimate controlling shareholders of the Subscriber are Mr. Cui and Ms. Chai. The sole director of the Subscriber is Mr. Cui.
- (g) The shareholder of the Subscriber is Ground Investment Holding. The sole director and legal representative of Ground Investment Holding is Mr. Cui. The supervisor of Ground Investment Holding is Mr. Liu Qun* (劉群).
- (h) Charm Success and Ka Yik are companies wholly owned by Deep Wealth, which is in turn wholly held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. The sole director of Ka Yik is Ms. Cui. The directors of Charm Success are Ms. Cui and Ms. Chai.

- (i) The Independent Financial Adviser is Rainbow Capital (HK) Limited and its registered office is situated at Office No. 710, 7/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.
- (j) The English texts of this circular shall prevail over the Chinese texts in case of any inconsistency.

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (<http://www.hkexnews.hk>), the SFC (www.sfc.hk) and the Company (<http://www.huayininternational.com>) for a period of not less than 14 days from the date of this circular up to and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the memorandum and articles of association of the Subscriber;
- (iii) the letter from the Board, the text of which is set out on pages 7 to 25 of this circular;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 26 to 27 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 60 of this circular;
- (vi) the valuation report prepared by Colliers Appraisal and Advisory Services Co., Ltd., the text of which is set out in Appendix II of this circular;
- (vii) the consent letter as referred to in the paragraph headed “10. Experts consent and qualification” in this appendix;
- (viii) the material contracts as referred to in the paragraph headed “13. Material Contracts” in this appendix;
- (ix) the annual reports and annual results announcement of the Company as referred to in the paragraph headed “1. Financial Information of the Group” in Appendix I to this circular;
- (x) the Loan Capitalisation Agreement; and
- (xi) this circular.

NOTICE OF SGM



HUA YIN INTERNATIONAL HOLDINGS LIMITED

華音國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 989)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Hua Yin International Holdings Limited (the “Company”) will be held at 24/F, Office Plus @ Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong at 3:00 p.m. on Tuesday, 16 July 2024 to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

1. **“THAT** subject to the fulfilment of the terms and conditions set out in the loan capitalisation agreement dated 25 April 2024 (the “**Loan Capitalisation Agreement**”) (a copy of which has been produced to the SGM and marked “A” and initialled by the chairman of the SGM for the purpose of identification) entered into between the Company and Ground Investment Holdings Group (Hong Kong) Co., Limited as subscriber (the “**Subscriber**”) pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for an aggregate of 5,060,000,000 new shares of the Company (the “**Capitalisation Share(s)**”) at the subscription price of HK\$0.05 per Capitalisation Share (the “**Capitalisation Price**”):-
 - (a) the Loan Capitalisation Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) all the transactions contemplated under the Loan Capitalisation Agreement, including but not limited to the specific mandate to allot and issue the Capitalisation Shares by the Company to the Subscriber pursuant to the Loan Capitalisation Agreement (the “**Specific Mandate**”), be and are hereby approved and the Directors be and are hereby authorised to allot and issue the Capitalisation Shares to the Subscriber pursuant to the Loan Capitalisation Agreement; and
 - (c) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Loan Capitalisation Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

NOTICE OF SGM

SPECIAL RESOLUTION

2. “**THAT**

- (a) subject to the granting of the Whitewash Waiver (as defined below) by the executive director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the executive director and any conditions that may be imposed thereon, the waiver of obligation on the part of the Subscriber to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with it which might otherwise arise as a result of the Subscriber subscribing for the Capitalisation Shares under the Loan Capitalisation Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Whitewash Waiver**”), be and is hereby approved; and
- (b) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Whitewash Waiver and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

By Order of the Board
Hua Yin International Holdings Limited
Ng Man Kit Micky
Company Secretary

Hong Kong, 29 June 2024

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal of business in Hong Kong:
Room 1305, 13th Floor
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong

Notes:

1. Under the Takeovers Code (as defined in the circular of the Company dated 29 June 2024 (the “**Circular**”)), the resolution number 2 above in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are cast either in person or by proxy by the Independent Shareholders (as defined in the Circular) at the SGM.
2. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited with the Company’s principal share registrar or branch share registrar as follows:
 - (i) in case of those members registered on the principal register: at the office of the Company’s principal share registrar, MUFG Fund Services (Bermuda) Limited, c/o Suntera Corporate Services Limited at 18/F, On Building, 162 Queen’s Road Central, Central, Hong Kong; and

NOTICE OF SGM

- (ii) in case of those members registered on the Hong Kong branch register: at the office of the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong,

as soon as possible but in any event and in both cases, not less than 48 hours before the time appointed for holding the SGM or at any adjournment thereof.

3. The transfer books and Register of Members of the Company will be closed from Thursday, 11 July 2024 to Tuesday, 16 July 2024, both days inclusive. During such period, no share transfers will be effected. In order to be entitled to attend and vote at the meeting as members of the Company, all properly completed transfer forms accompanied by the relevant Hong Kong share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m., on Wednesday, 10 July 2024.
4. In the case of joint holders of any share of the Company, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share of the Company as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the above meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the SGM or at any adjournment thereof should you so wish and in such event, the form of proxy will be deemed to be revoked.
6. Pursuant to the Listing Rules, all the resolutions proposed at the SGM will be decided by way of a poll.
7. A circular dated 29 June 2024 containing further information concerning resolution 1 above is available either in printed form or on the Stock Exchange's website at www.hkexnews.hk and the Company's website at <http://www.huayininternational.com>.
8. If typhoon signal No.8 or above, or "extreme conditions" caused by a super typhoon or a black rainstorm warning signal is in force at any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed or adjourned in accordance with the memorandum of association and bye-laws of the Company. The Company will publish an announcement on the on the Stock Exchange's website at www.hkexnews.hk and the Company's website at <http://www.huayininternational.com> to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
9. As at the date of this notice, the executive directors are Ms. Cui Xintong, Mr. Li Junjie, Mr. Cong Peifeng and Mr. Xu Yingchuan, the non-executive director is Mr. Cui Mindong; and the independent non-executive directors are Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Mr. Wang Xueguang.