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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in KEYNE LTD, you should at once hand this circular, together with the enclosed form of proxy and reply slip, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Keyne 金奧国际  
HK00009

**KEYNE LTD**

**金奧國際股份有限公司\***

*(formerly known as Nine Express Limited)*

*(incorporated in Bermuda with limited liability)*

**(Stock code: 00009)**

### **MAJOR AND CONNECTED TRANSACTION INVOLVING FINANCIAL ASSISTANCE TO A CONNECTED PERSON**

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

VEDA | CAPITAL  
智 略 資 本

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-10 of this circular.

31 December 2020

\* For identification purpose only

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## DEFINITIONS

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

“2018 Collateral Agreement”	the collateral agreement dated 27 March 2018 entered into by Chengdu Zhongfa in favour of the Bank in relation to the pledge of the Chengdu Property as collaterals for the repayment obligations of the Borrower under the Entrusted Loan Agreement
“2019 Collateral Agreement”	the collateral agreement dated 9 April 2019 entered into by Chengdu Zhongfa in favour of the Bank in relation to the pledge of the Chengdu Property as collaterals for the repayment obligations of the Borrower under the Entrusted Loan Agreement
“Bank”	Zhejiang Chouzhou Commercial Bank Nanjin Branch, a licensed bank in the PRC which acted as a lending agent under the Entrusted Loan Agreement
“Board”	the board of Directors
“Borrower”	揚州亞太置業有限公司 (transliterated in English as Yangzhou Atai Properties Co., Ltd.), a company indirectly owned as to 30% by Ms. Qian and as to 70% by Mr. Zhu at the date of entering into of the respective Collateral Agreements, being the borrower of the Entrusted Loan Agreement
“Chengdu Property”	the piece and parcel of land and the properties erected thereon and owned by Chengdu Zhongfa in Chengdu, Sichuan Province, the PRC
“Chengdu Zhongfa”	成都中發黃河實業有限公司 (transliterated in English as Chengdu Zhongfa Yellow River Industry Company Limited), an indirect wholly-owned subsidiary of the Company and is principally engaged in holding and leasing of properties in the PRC
“Collateral Agreements”	collectively, the 2018 Collateral Agreement and the 2019 Collateral Agreement
“Company”	KEYNE LTD, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this circular means, Mr. Zhu and Keyne Holdings Limited

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“Entrusted Loan”	the loan in the principal amount of RMB500,000,000 made to the Borrower pursuant to the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the entrusted loan agreement dated 29 March 2017 entered into among the Bank, the Borrower and an Independent Third Party, in respect of the provision of the Entrusted Loan to the Borrower
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the entering into of the Collateral Agreements
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Collateral Agreements and the respective transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Ms. Qian, Mr. Zhu, the Borrower and their respective associates
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Latest Practicable Date”	28 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhu”	Mr. Zhu Boheng, son of Ms. Qian, the sole shareholder of Keyne Holdings Limited and a controlling shareholder of the Company
“Ms. Qian”	Ms. Qian Ling Ling, an executive Director and chairman of the Board

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiangtan Project”	the property and hotel development project owned by the Group in Xiangtan, Hunan Province, the PRC
“Yangzhou Property”	the property project owned by the Borrower in Yangzhou, Jiangsu Province, the PRC
“sq.m”	square metre(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*The English translation of certain Chinese names or words in this circular are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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LETTER FROM THE BOARD

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Keyne 金奧国际

HK00009

KEYNE LTD

金奧國際股份有限公司\*

(formerly known as Nine Express Limited)

(incorporated in Bermuda with limited liability)

(Stock code: 00009)

*Executive Director:*

Qian Ling Ling (Chairman)

Zhang Li

Xiang Junjie

*Registered address:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Independent non-executive Directors:*

Tsui Pui Hung

Tang Ping Sum

Chiu Sin Nang, Kenny

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

Room 4101, 41/F

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

31 December 2020

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
INVOLVING FINANCIAL ASSISTANCE TO A CONNECTED PERSON**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 28 April 2020 in relation to the entering into of the Collateral Agreements in favour of the Bank.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information in respect of the Collateral Agreements and the transactions contemplated thereunder; (ii) the advice from the Independent Board Committee in relation to the Collateral Agreements and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser in relation to the Collateral Agreements and the transactions contemplated thereunder; and (iv) other information as required under the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### PROVISION OF FINANCIAL ASSISTANCE

On 27 March 2018 and 9 April 2019, Chengdu Zhongfa, an indirect wholly-owned subsidiary of the Company, entered into the 2018 Collateral Agreement and the 2019 Collateral Agreement in favour of the Bank respectively, pursuant to which Chengdu Zhongfa agreed to pledge the Chengdu Property jointly with the Yangzhou Property as collaterals for the repayment obligations of the Borrower under the Entrusted Loan Agreement.

### ENTRUSTED LOAN AGREEMENT

Pursuant to the Entrusted Loan Agreement, the Bank, acting as a lending agent, agreed to grant the Entrusted Loan in the principal amount of RMB500,000,000, which was funded by an Independent Third Party, to the Borrower, at an interest rate of 9.5% per annum for a term of three years commencing from the date of drawdown. The repayment obligations of the Borrower under the Entrusted Loan Agreement was secured by, among others, the Yangzhou Property and the Chengdu Property.

### THE COLLATERAL AGREEMENTS

Save that the 2018 Collateral Agreement was entered into on 27 March 2018 and the 2019 Collateral Agreement was entered into on 9 April 2019, the principal terms of the Collateral Agreements are the same and set out as follows:

Parties:	(1) the Bank (as the pledgee); and  (2) Chengdu Zhongfa (as the pledgor)
Term:	the pledge became effective from the date of the respective Collateral Agreements and shall expire upon full settlement of the Entrusted Loan under the Entrusted Loan Agreement  notwithstanding the term of the 2018 Collateral Agreement, the Bank released the pledge on the Chengdu Property under the 2018 Collateral Agreement in early 2019
Collaterals:	a piece and parcel of land with the land certificate number of Cheng Guo Yong (2004) No. 927 and the properties thereon with the real estate title certificate number of Cheng Fang Quan Zheng Jian Zheng Zi No. 1895388, the floor area and building area of which amounted to approximately 9,246 sq.m. and 30,741 sq.m. respectively, with the pledged value of approximately RMB428,480,000
Consideration:	Chengdu Zhongfa did not receive any fee or commission for the provision of the collateral under the Collateral Agreements

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## LETTER FROM THE BOARD

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Scope of pledge security: the scope of the pledge security included, among others, the entire principal amount of the indebtedness, interest, overdue interest, penalty interest, compound interest, compensation, liquidated damages, damages and the cost incurred by the Bank in realising the creditor's rights (including but not limited to litigation fees, property preservation fee, application fee for execution, attorney fees, case handling fee, announcement fee, evaluation fee, appraisal fee, auction (sale) fee, mortgage disposal fee, transfer fee, telecommunications and travel expenses, etc.)

### INFORMATION ON THE BANK AND THE BORROWER

#### The Bank

To the best knowledge of the Directors, the Bank is a licensed bank in the PRC and provides financial products and services to corporate and personal banking customers. To the best knowledge, information and belief, having made all reasonable enquiries, each of the Bank and its ultimate beneficial owners is an Independent Third Party.

#### The Borrower

The Borrower is a company established in the PRC and is principally engaged in property development. At the material times of entering into the Collateral Agreements and as at the Latest Practicable Date, the Borrower was indirectly owned as to 30% by Ms. Qian, an executive Director and chairman of the Board, and as to 70% by Mr. Zhu, son of Ms. Qian and a Controlling Shareholder.

### REASONS FOR THE ENTRY OF COLLATERAL AGREEMENTS AND THE UNINTENTIONAL NON-COMPLIANCE OF THE LISTING RULES

The Company was incorporated in Bermuda with limited liability. It is an investment holding company with its subsidiaries principally engaged in rental of property, property and hotel development, and investment in centralised heat supply. Chengdu Zhongfa is an indirect wholly-owned subsidiary of the Company principally engaged in holding and leasing of properties in the PRC.

The Group has two major property projects in the PRC, namely the Xiangtan Project and the Chengdu Property. The Controlling Shareholders has been providing financial support to the Group's property development project since 2017. For the period from October 2017 to February 2018, the Controlling Shareholders' associates and the Group had entered into four facility agreements (the "**Facility Agreements**"). Despite the execution of the Facility Agreements, the Controlling Shareholders did not commit any sum to the Group. Hence, there was no guarantee that the Group could be able to obtain sufficient financial support from the Controlling Shareholders.



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## LETTER FROM THE BOARD

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At the material time, as the Group has pledged the land under the Xiangtan Project as security for two loans, the Group could only pledge its Chengdu Property in order to seek for additional funding. However, given that the land use right of the Chengdu Property expires in 2027, the Group was unable to obtain additional loans by using the Chengdu Property alone.

In light of the understanding of Chengdu Zhongfa and the Controlling Shareholders that after obtaining the Entrusted Loan by the Borrower, the Group would enjoy part of the Entrusted Loan for its business development, by way of the Controlling Shareholder's commitment to advance not less than RMB200 million (which is interest-free and without any collaterals as security) under the Facility Agreements, if the Group agreed to pledge the Chengdu Property in favour of the Bank as collaterals for the repayment obligations of the Borrower under the Entrusted Loan Agreement, Chengdu Zhongfa entered into the 2018 Collateral Agreement and the 2019 Collateral Agreement respectively. Since the execution of the 2018 Collateral Agreement and up to February 2019, the Company has drawn more than RMB200 million under the Facility Agreements. As at the Latest Practicable Date, the Group has repaid the RMB200 million under the Facility Agreements.

Taking into account that (i) the Group was unable to secure other external funding at the material times; and (ii) the Group would enjoy part of the Entrusted Loan for its business development, by way of the Controlling Shareholders' commitment to provide financial support of not less than RMB200 million (which is interest-free and without any collaterals as security), the Company considered that the provision of financial assistance to the Borrower would support the Group's business development and as such, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Collateral Agreements is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best knowledge of the Directors, as at the Latest Practicable Date, the Borrower has repaid the Entrusted Loan in full and therefore the Bank has released the pledge on Chengdu Property under the 2019 Collaterals Agreement in December 2020.

Under the premises that the entry of the Collateral Agreements was to facilitate the Borrower to obtain the Entrusted Loan, which in turn, will allow the Group to enjoy part of the Entrusted Loan for its business development, by way of the Controlling Shareholder's commitment to advance not less than RMB200 million (which is interest-free and without any collaterals as security) under the Facility Agreements, the Directors truly believed that the provision of the Chengdu Property as collaterals under the Collateral Agreements is for the Group's enjoyment in part of the Entrusted Loan, by way of the Controlling Shareholders' commitment to provide financial support for the Group's business development. Given that the Borrower also provided its assets as collaterals for its enjoyment of Entrusted Loan, the Directors believed that the collateral arrangement under the Collateral Agreements was for the benefit of the Group and was not regarded as a financial assistance to the Borrower. Not until April 2020 for the audit purpose, the Directors were advised that the entry of the Collateral Agreements and the provision of collaterals thereunder should constitute financial assistance to a connected person and the Company had failed to comply with the requirement of the Listing Rules in a timely manner. The Directors reiterated that the non-compliance of the Listing Rules was unintentional and was due to the Directors' misapprehension of the Listing Rules.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

The provision of collaterals under the 2018 Collateral Agreement to secure the repayment obligation of the Borrower under the Entrusted Loan Agreement is a form of financial assistance given by the Group to the Borrower. As one of the applicable percentage ratios in respect of the 2018 Collateral Agreement is more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the 2018 Collateral Agreement exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and was subject to the announcement requirement under the Listing Rules.

The provision of collaterals under the 2019 Collateral Agreement to secure the repayment obligation of the Borrower under the Entrusted Loan Agreement is a form of financial assistance given by the Group to the Borrower. As one of the applicable percentage ratios in respect of the 2019 Collateral Agreement is more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the 2019 Collateral Agreement exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and was subject to the announcement requirement under the Listing Rules.

As at the date of each of the Collateral Agreements, the Borrower is a company indirectly owned as to 30% by Ms. Qian, an executive Director and chairman of the Board, and as to 70% by Mr. Zhu, son of Ms. Qian and a Controlling Shareholder. The Borrower is an associate of Ms. Qian and Mr. Zhu respectively. As such, the Borrower is a connected person of the Company, and the provision of financial assistance to the Borrower pursuant to each of the Collateral Agreements constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and the Collateral Agreements are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. Qian, who has a material interest in the Collateral Agreements and the transactions contemplated thereunder, had abstained from voting on the resolutions of the Board approving and ratifying the respective Collateral Agreement and the transactions contemplated thereunder.

### REMEDIAL ACTIONS AND MEASURES

Upon realising that the execution of the Collateral Agreements constituted the provision of financial assistance to the Borrower, the Directors have requested and the Borrower agreed to liaise with the Bank to release all the obligations of Chengdu Zhongfa under the 2019 Collateral Agreement. In December 2020, the Board was informed that the Borrower has repaid the Entrusted Loan in full and therefore, the Bank released the Group's obligations under the 2019 Collateral Agreement. In view of the funding need of the Xiangtan Project and the daily operations of the Group, the Bank has granted a loan to Chengdu Zhongfa for the sole use of the Group and the said loan is jointly secured by the Chengdu Property and the assets of the Borrower.

Since the provision of financial assistance under the Collateral Agreements cannot be reversed, the Company shall despatch the circular in relation to the provision of financial assistance, but intends not to put forward a resolution at a general meeting of the Company to ratify the entering into of the Collateral Agreements.

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## LETTER FROM THE BOARD

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To prevent similar non-compliance from occurring in the future, the Company has taken/shall take the following measures and actions:

- (i) the Company will despatch to its Shareholders a circular containing the details of the provision of the financial assistance on 31 December 2020;
- (ii) the Company has engaged an internal control consultant to identify any deficiencies of the Group's internal control policies for monitoring the notifiable transactions and connected transactions under the Listing Rules, and make recommendations to enhance the relevant internal control policies and the Board has resolved to adopt its recommendations;
- (iii) relevant guidance and training materials, in particular, on how to identify notifiable and connected transactions under the Listing Rules have been provided, to the Directors, senior management and the relevant staff of the Group;
- (iv) trainings have been provided to explain the relevant Listing Rules requirements and the reporting procedures for notifiable transactions and connected transactions under the Listing Rules, and to emphasise the importance of identifying such transactions prior to execution;
- (v) the Internal Control & Compliance department of the Company will continue to oversee and monitor the Company's on-going compliance with the Listing Rules;
- (vi) the Company has reviewed and modified the procedures in monitoring connected transactions and discloseable transactions of the Group under Chapters 14 and 14A of the Listing Rules; and
- (vii) the Company will, as and when appropriate and necessary, seek its external legal or other professional advice as to any action required to be taken in relation to any proposed transactions or events in the future.

### RECOMMENDATION

Having considered the reasons set out herein, the Directors (including the independent non-executive Directors) consider that the entering into of the Collateral Agreements 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.

### ADDITIONAL INFORMATION

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

By order of the Board

**KEYNE LTD**

**ZHANG LI**

*Executive Director and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Collateral Agreements.

**Keyne 金奧国际**

HK00009

**KEYNE LTD**

**金奧國際股份有限公司\***

*(formerly known as Nine Express Limited)*

*(incorporated in Bermuda with limited liability)*

**(Stock code: 00009)**

31 December 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION INVOLVING FINANCIAL ASSISTANCE TO A CONNECTED PERSON**

We refer to the circular of the Company dated 31 December 2020 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Collateral Agreements and the respective transactions contemplated thereunder and to advise the Independent Shareholders as to whether the terms of the Collateral Agreements and the respective transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Veda Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from Veda Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-10 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 9 to the Circular and the additional information set out in the appendices of the Circular.

Having taken into account the terms of the Collateral Agreements and the respective transactions contemplated thereunder, and the advice from Veda Capital Limited, we consider that the terms of each of the Collateral Agreements is entered into upon normal commercial terms following arm’s length negotiations between the parties thereto, the connected transactions are not an ordinary and usual course of business of the Group, the terms of each of the Collateral Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Collateral Agreements are in the interests of the

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution if there was a general meeting to approve the Collateral Agreements and the transactions contemplated thereunder.

Yours faithfully,  
the Independent Board Committee

**Mr. Tsui Pui Hung**

**Mr. Tang Ping Sum**  
*Independent non-executive Directors*

**Mr. Chiu Sin Nang, Kenny**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Collateral Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.*



Suites 1001-1002, 10/F, 299 QRC  
299 Queen's Road Central  
Hong Kong

31 December 2020

To: Independent Board Committee and the Independent Shareholders of KEYNE LTD

Dear Sirs/Madams,

### MAJOR AND CONNECTED TRANSACTION INVOLVING FINANCIAL ASSISTANCE TO A CONNECTED PERSON

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Collateral Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular to the Shareholders dated 31 December 2020 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

As set out in the Board Letter, among other matters, on 27 March 2018, Chengdu Zhongfa, an indirect wholly-owned subsidiary of the Company, entered into the 2018 Collateral Agreement in favour of the Bank, pursuant to which Chengdu Zhongfa agreed to pledge the Chengdu Property as collaterals to secure the repayment obligations of the Borrower under the Entrusted Loan Agreement. On 9 April 2019, shortly after the release of the 2018 Collateral Agreement, Chengdu Zhongfa entered into the 2019 Collateral Agreement in favour of the Bank, pursuant to which Chengdu Zhongfa agreed to pledge the Chengdu Property as collaterals to secure the repayment obligations of the Borrower under the Entrusted Loan Agreement.

The provision of collateral under the 2018 Collateral Agreement to secure the repayment obligation of the Borrower under the Entrusted Loan Agreement was a form of financial assistance given by the Group to the Borrower. As one of the applicable percentage ratios in respect of the 2018 Collateral Agreement was more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the 2018 Collateral Agreement exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and was subject to the announcement requirement under the Listing Rules.

The provision of collateral under the 2019 Collateral Agreement to secure the repayment obligation of the Borrower under the Entrusted Loan Agreement was a form of financial assistance given by the Group to the Borrower. As one of the applicable percentage ratios in respect of the 2019 Collateral Agreement was

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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more than 25%, the provision of financial assistance constituted a major transaction on the part of the Company under the Listing Rules. In addition, the asset ratio for the provision of financial assistance under the 2019 Collateral Agreement exceeded 8%, the provision of financial assistance constituted advances to an entity under Rule 13.13 of the Listing Rules and was subject to the announcement requirement under the Listing Rules.

As at the date of each of the Collateral Agreements, the Borrower was a company indirectly owned as to 30% by Ms. Qian, an executive Director and chairman of the Board, and as to 70% by Mr. Zhu, son of Ms. Qian and a Controlling Shareholder. The Borrower was an associate of Ms. Qian and Mr. Zhu respectively. As such, the Borrower was a connected person of the Company, and the provision of financial assistance to the Borrower pursuant to each of the Collateral Agreements constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and the Collateral Agreements were subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. Qian, who has a material interest in the Collateral Agreements and the transactions contemplated thereunder, had abstained from voting on the resolutions of the Board approving and ratifying the respective Collateral Agreements and the transactions contemplated thereunder.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Collateral Agreements and the transactions contemplated thereunder, there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time when they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

This letter is issued to Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the entering into of the Collateral Agreements and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Collateral Agreements and in forming our opinions to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons:

#### 1. Information on the Group

##### *Business of the Group*

The Company was incorporated in the Bermuda with limited liability and the issued Shares of which are listed on the Main Board. The Company is an investment holding company while its subsidiaries principally engaged in rental of property, property and hotel development (the “**Property Development Business**”) and centralised heat supply (the “**Centralised Heat Supply Business**”).

##### *Financial performances of the Group*

Set out below is a summary of the Group’s consolidated financial information extracted from the Company’s (i) annual reports for the years ended 31 December 2018 and 2019; and (ii) interim reports for the six months ended 30 June 2019 and 2020.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the six months ended 30 June 2020*

	For the six months ended 30 June		YOY changes
	2020	2019	2019/20
	HK\$'000	HK\$'000	%
	(unaudited)	(unaudited)	
		(note)	
Revenue	15,231	25,265	(39.72)
Gross profit	6,485	6,744	(3.84)
Profit/(Loss) for the year attributable to Shareholders	(115,629)	(62,630)	(84.62)
	As at 30 June		YOY changes
	2020	2019	
	HK\$'000	HK\$'000	%
	(unaudited)	(unaudited)	
Total assets	2,845,610	2,903,908	(2.01)
Net asset value attributable to Shareholders	568,818	945,835	(39.86)

*Note:* The Group had entered into the sale and purchase agreement with a vendor to dispose certain subsidiaries within the group, comprising mainly the film distribution, licensing and processing business (the “**Film Distribution and Processing Business**”). Upon the completion of the disposal on 29 April 2019, the Group ceased to engage in the Film Distribution and Processing Business. The summary of the consolidated statement of profit or loss herein in 2018 has been adjusted to exclude the Film Distribution and Processing Business.

The Group recorded revenue for the six months ended 30 June 2020 in the amount of approximately HK\$15.23 million, representing a decrease of approximately 39.72% as compared to that of the six months ended 30 June 2019 in the amount of approximately HK\$25.27 million. As advised by the Company, the decrease in revenue was mainly due to (i) outbreak of the Covid-19 epidemic that affected the sales of the Group; (ii) the drop in property rental income received by the Group that was caused by rent concessions and (iii) certain units of semi-detached villas were pre-sold and the revenue of which expected to be recognized on the 2nd half of 2020.

The Group recorded a loss attributable to Shareholders for the six months ended 30 June 2020 in the amount of approximately HK\$115.63 million, representing an increase in loss of approximately 84.62% as compared to that for the six months ended 30 June 2019 in the amount of approximately HK\$62.63 million. As advised by the Company, the increase in loss was a result of (i) the written down on sales amount of the Group’s properties under development in Hunan; and (ii) increase in finance cost due to the increase in loan interest and amount of loan principals on existing loans that were used for the development of the Group’s property projects.

The Group’s unaudited total assets as at 30 June 2020 amounted to approximately HK\$2,845.61 million. The Group’s unaudited net asset value attributable to Shareholders decreased by approximately 39.86% to approximately HK\$568.81 million as at 30 June 2020 from approximately HK\$945.84 million as at 30 June 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the financial year ended 31 December 2019*

	For the financial years ended 31 December		YOY changes
	2019	2018	2018/19
	HK\$'000	HK\$'000	%
	(audited)	(audited)	
		(note)	
Revenue	39,919	79,835	(50.00)
Gross profit	13,976	16,776	(16.69)
Profit/(Loss) for the year attributable to Shareholders	(288,950)	(354,055)	18.39
	As at 31 December		YOY changes
	2019	2018	
	HK\$'000	HK\$'000	%
	(audited)	(audited)	
Total assets	2,806,079	2,637,551	6.39
Net asset value attributable to Shareholders	697,637	1,004,955	(30.58)

*Note:* The Group had entered into the sale and purchase agreement with a vendor to dispose certain subsidiaries within the group, comprising mainly the Film distribution and Processing Business. Upon the completion of the disposal on 29 April 2019, the Group ceased to engage in the Film Distribution and Processing Business. The summary of the consolidated statement of profit or loss herein in 2018 has been adjusted to exclude the Film Distribution and Processing Business.

The Group recorded revenue for the year ended 31 December 2019 in the amount of approximately HK\$39.9 million, representing a decrease of approximately 50.0% as compared to that of the year ended 31 December 2018 in the amount of approximately HK\$79.8 million. As advised by the Company, the decrease in revenue was mainly due to the decrease in income generated by the Property Development Business from approximately HK\$60.1 million for the year ended 31 December 2018 to approximately HK\$23.3 million for the year ended 31 December 2019. During the year ended 31 December 2019, the Group had recognised 11 units of semi-detached villas in the Property Development Business. Certain units of semi-detached villas were pre-sold but not yet delivered to customers and will be recognised in subsequent financial periods.

The Group recorded a loss attributable to Shareholders for the year ended 31 December 2019 in the amount of approximately HK\$289.0 million, representing a decrease of approximately 18.4% as compared to that for the year ended 31 December 2018 in the amount of approximately HK\$354.1 million. As advised by the Company, the decrease in loss was a result of the reduce in the impairment loss of the Company's 49% equity interests in Ever-Grand Development Limited ("Ever-Grand", together with its subsidiaries, the "Ever-Grand Group") (the "Ever-Grand Investment"), from approximately HK\$226.0 million for the year ended 31 December 2018 to approximately HK\$133.0 million for the year ended 31 December 2019. The Ever-Grand Investment was classified as the

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Company's investment in associate and included in the Centralised Heat Supply Business. The said impairment of the Ever-Grand Investment was for the reasons that (i) the business plan of the Ever-Grand Group was further delayed and suspended with uncertainties, which affected the financial projection adopted by the Ever-Grand Group; and (ii) the capital investment plan of the Ever-Grand Group was not carried out as planned.

The Group's audited total assets as at 31 December 2019 amounted to approximately HK\$2,806.1 million. The Group's audited net asset value attributable to Shareholders decreased by approximately 30.6% to approximately HK\$697.6 million as at 31 December 2019 from approximately HK\$1,005.0 million as at 31 December 2018.

*For the financial year ended 31 December 2018*

	<b>For the financial years ended 31 December</b>		<b>YOY changes</b>
	<b>2018</b>	<b>2017</b>	<b>2017/18</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Revenue	81,809	66,890	22.30
Gross profit	17,346	18,394	(5.70)
Profit/(Loss) for the year attributable to Shareholders	(354,055)	(395,423)	(10.46)
	<b>As at 31 December</b>		<b>YOY changes</b>
	<b>2018</b>	<b>2017</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Total assets	2,637,551	2,546,030	3.59
Net asset value attributable to Shareholders	1,004,955	1,206,621	(16.71)

The Group recorded revenue for the year ended 31 December 2018 in the amount of approximately HK\$81.8 million, representing an increase of approximately 22.3% as compared to that for the year ended 31 December 2017 in the amount of approximately HK\$66.9 million. As advised by the Company, the increase in revenue was mainly due to the increase in income generated by the Property Development Business from approximately HK\$43.6 million for the year ended 31 December 2017 to approximately HK\$60.1 million for the year ended 31 December 2018.

The Group recorded a loss attributable to Shareholders for the year ended 31 December 2018 in the amount of approximately HK\$354.1 million, representing a decrease of approximately 10.5% as compared to that for the year ended 31 December 2017 in the amount of approximately HK\$395.4 million. As advised by the Company, the loss was a result of an impairment loss of the Ever-Grand Investment in the amount of approximately HK\$226.0 million for the year ended 31 December 2018, which was recognised for the reasons that (i) the business plan of the Ever-Grand Group was further

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delayed and suspended with uncertainties, which affected the financial projection adopted by the Ever-Grand Group; and (ii) the capital investment plan of the Ever-Grand Group was not carried out as planned.

The Group's audited total assets as at 31 December 2018 amounted to approximately HK\$2,637.6 million. The Group's audited net asset value attributable to Shareholders decreased by approximately 16.7% to approximately HK\$1,005.0 million as at 31 December 2018 from approximately HK\$1,206.6 million as at 31 December 2017.

More details of the financial information of the Group are set out in Appendix I of the Circular.

### **2. Information on the parties and the Chengdu Property**

#### ***The Bank***

As set out in the Board Letter, to the best knowledge of the Directors, the Bank is a licensed bank in the PRC and provides financial products and services to corporate and personal banking customers. To the best knowledge, information and belief, having made all reasonable enquiries by the Directors, each of the Bank and its ultimate beneficial owners is an Independent Third Party.

#### ***The Borrower***

The Borrower is a company established in the PRC and is principally engaged in property development. At the material times of entering into the Collateral Agreements and as at the Latest Practicable Date, the Borrower was indirectly owned as to 30% by Ms. Qian, an executive Director and chairman of the Board, and as to 70% by Mr. Zhu, son of Ms. Qian and a Controlling Shareholder.

#### ***Chengdu Zhongfa***

Chengdu Zhongfa, as the pledgor in the Collateral Agreements, is an indirect wholly-owned subsidiary of the Company and is principally engaged in holding and leasing of properties in the PRC.

#### ***The Chengdu Property***

The Chengdu Property is the piece and parcel of land and the properties erected thereon owned by Chengdu Zhongfa in Chengdu, Sichuan Province, the PRC with its land use right to be expired in 2027.

### **3. Reasons for and benefits of entering into the Collateral Agreements**

The Group has two major property projects in the PRC in the Xiangtan Project and the Chengdu Property.

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As mentioned in the Board Letter, the Group has pledged the land under the Xiangtan Property as security for two loans and in order for the Group to seek for additional funding, it could only pledge its Chengdu Property. However, it was advised by the Bank that the land use right of the Chengdu Property which will expire in 2027, a loan cannot be obtained by the Group by pledging the Chengdu Property alone.

In light of the above, the Controlling Shareholder has offered the Group committing to advance not less than RMB200 million to the Group under the Facility Agreements if the Group agreed to pledge the Chengdu Property in favour of the Bank as collaterals for the repayment obligations of the Borrower under the Entrusted Loan Agreement.

As advised by the Company, since the execution of the 2018 Collateral Agreement and up to February 2019, the Group has drawn more than RMB200 million under the Facility Agreement unsecured and interest-free (the “Shareholder’s Loan”).

We understand from the Company that before entering into the Collateral Agreements, the Directors had considered other fund-raising alternatives for the Group, including debt and equity financing.

As compared to equity financing, the Directors were of the view that the pledging of the Chengdu Property allowed the Group to fundraise without incurring a dilution effect to the shareholding interests of the existing Shareholders.

For debt financing, (i) the Group had been loss-making for each of the three years ended 31 December 2019 and the business plan of the Ever-Grand Group was further delayed and suspended with uncertainties as set out in the sub-section headed “Financial performance of the Group” above, which showed no sign of a potential turnaround of the Ever-Grand Investment in the near future; (ii) as disclosed in the Board Letter, the land under the Xiangtan Project, which was one of the two major property projects of the Group in the PRC, had been pledged to secure two loans and was no longer available to be pledged as security for further loans, and the Chengdu Property, while being another major property of the Group, has its land use right to be expired in 2027 and thus was unable to obtain additional loans for the Group on its own. We were given to understand by the Company that it had not been able to obtain other bank borrowings with an amount comparable to the amount available under the Shareholder’s Loan from commercial banks or financial institutions on terms acceptable to the Company.

We were also given to understand that the Shareholder’s Loan was utilised by the Group mostly in the Property Development Business, which was the main revenue generator of the Group for the financial years ended 31 December 2018 and 2019 and required intensive capital investment in nature. The Shareholder’s Loan had enhanced the business performance and development of the Group and driven further growth for the Group. Moreover, with reference to the Company’s announcement dated 23 December 2020, the Board has been informed that, the Entrusted Loan has been repaid in full and that the Bank has released the pledge on the Chengdu Property under the 2019 Collateral Agreement in December 2020.

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Having considered the above reasons, we therefore, concur with the view of the Directors that the entering into of the Collateral Agreements at the material time was the most appropriate fund-raising method currently available to the Group.

#### **4. Principal terms of the Collateral Agreements**

Save that the 2018 Collateral Agreement was entered into on 27 March 2018 and the 2019 Collateral Agreement was entered into on 9 April 2019, the principal terms of the Collateral Agreements are the same and set out as follows:

##### ***Parties***

- (1) the Bank (as the pledgee); and
- (2) Chengdu Zhongfa (as the pledgor)

##### ***Term***

The pledge became effective from the date of the respective Collateral Agreements and shall expire upon full settlement of the Entrusted Loan under the Entrusted Loan Agreement.

Notwithstanding the term of the 2018 Collateral Agreement, the Bank released the pledge on the Chengdu Property under the 2018 Collateral Agreement in early 2019.

##### ***Collaterals***

A piece and parcel of land with the land certificate number of Cheng Guo Yong (2004) No. 927 and the properties thereon with the real estate title certificate number of Cheng Fang Quan Zheng Jian Zheng Zi No. 1895388, the floor area and building area of which amounted to approximately 9,246 sq.m. and 30,741 sq.m. respectively, with the pledged value of approximately RMB428,480,000.

##### ***Consideration***

Chengdu Zhongfa did not receive any fee or commission for the provision of the collateral under the Collateral Agreements.

##### ***Scope of pledge security***

The scope of the pledge security included, among others, the entire principal amount of the indebtedness, interest, overdue interest, penalty interest, compound interest, compensation, liquidated damages, damages and the cost incurred by the Bank in realising the creditor's rights (including but not limited to litigation fees, property preservation fee, application fee for execution, attorney fees, case handling fee, announcement fee, evaluation fee, appraisal fee, auction (sale) fee, mortgage disposal fee, transfer fee, telecommunications and travel expenses, etc.).

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Pursuant to the Entrusted Loan Agreement, the Bank agreed to grant the Entrusted Loan in the principal amount of RMB500 million to the Borrower at an interest rate of 9.5% per annum for a term of three years commencing from the date of drawdown. The repayment obligations of the Borrower under the Entrusted Loan Agreement were secured by, among others, the Yangzhou Property and the Chengdu Property. Chengdu Zhongfa would not receive any fee or commission for the provision of the collateral under the Collateral Agreements.

We understand from the Company that the pledged values of the Chengdu Property and the Yangzhou Property were approximately RMB428.5 million as at 6 January 2018 and approximately RMB2,811.3 million as at 7 March 2017 respectively. Having considered that (i) the Chengdu Property alone is insufficient to be accepted by the Bank as pledge for a loan of the size of Shareholder's Loan; (ii) the Shareholders' Loan is interest-free and unsecured in favor of the Company; and (iii) the Borrower provided the Shareholders' Loan as financial assistances to the Group; and given the fact that (iv) the Bank has released the pledge on the Chengdu Property, we are in the opinion, that the Company having agreed to pledge the Chengdu Property in favour of the bank as collaterals for repayment obligations of the Borrower under the Entrusted Loan Agreement which indirectly allowed the Group to enjoy not less than RMB200 million from the Controlling Shareholders through the Shareholders' Loan is justifiable. Furthermore, we are also of the view that the pledging of the Chengdu Property is fair and reasonable when compared to the amount of the Shareholder's Loan offered by the Borrower to the Group.

Having considered that (i) it is difficult for the Group to secure other external funding; (ii) there is no other fee or commission payable by the Group for the provision of the collateral under the Collateral Agreements; and (iii) the Bank granted the Entrusted Loan to the Borrower at an interest rate of 9.5% per annum but the Shareholders' Loan offered from the Borrower to the Group is unsecured and interest-free, we are of the view that the terms in the Collateral Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### CONCLUSION

Having considered the above principal factors and reasons, we are of the view that, although the entering into of the Collateral Agreements was not in the ordinary and usual course of business of the Group, at the respective material time, it is in the interests of the Company and the Shareholders as a whole and that the terms of the Collateral Agreements are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Yours Faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Julisa Fong**  
*Managing Director*

*Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 24 years of experience in corporate finance industry.*

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 December 2019 are disclosed in the annual report of the Company which have been published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www. http://www.nine-express.com.hk](http://www.nine-express.com.hk):

Annual report of the Company for the year ended 31 December 2019 published on 13 May 2020 (pages 53 to 180):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0513/2020051300297.pdf>

Annual report of the Company for the year ended 31 December 2018 published on 26 April 2019 (pages 54 to 175):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn20190426111.pdf>

Annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 54 to 155):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804272550.pdf>

**2. INDEBTEDNESS****Statement of indebtedness*****Borrowings and lease liabilities***

As at the close of business on 30 November 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the total borrowings and lease liabilities of the Group was HK\$1,845,377,000, comprising of secured borrowings from banks and financial institutions of HK\$1,381,174,000, unsecured and unguaranteed loan from Controlling Shareholder of HK\$175,914,000, unsecured and unguaranteed loan from related parties of HK\$282,287,000 and unsecured lease liabilities of HK\$6,002,000.

Borrowings of HK\$124,873,000 were secured by the Group's land use rights and construction in progress. Borrowings of HK\$281,228,000 were secured by share charges given by Keyne Holdings Limited, the controlling shareholder of the Company and certain related parties. Borrowings of HK\$147,256,000 were secured by share charge over the equity interest in an associate company of the Group and certain properties for sales or under development executed by certain related parties. Borrowings of HK\$827,817,000 were secured by certain properties development in progress.

***Contingent liabilities***

According to Tax Circular 698 and Public Notice [2015] No. 7 ("Public Notice 7") of the State Administration of Taxation (the "SAT"), the Group's acquisition of 49% equity interest in an associate during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of the associate in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be recharacterised as a direct transfer by the PRC tax



authorities and the capital gain derived will be subject to EIT. The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and the Vendor has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK\$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK\$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Guarantor C and Guarantor L, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The directors do not consider it probable that a claim will be made against the Group regarding the penalty mentioned above.

Save as aforesaid or as otherwise disclosed in this appendix, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at the close of business on 30 November 2020, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, hire purchase commitments, guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

The Directors are of the opinion that, taking into consideration the Group's internal resources, the existing available banking facilities and the continuing financial support from the Controlling Shareholders, in the absence of unforeseen circumstances such as acts of God and change in existing government policies or political, legal, fiscal, market or economic conditions in the PRC which will materially and adversely affect the business and the operation of the Group, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

**4. 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 of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Group is principally engaged in property rental and property and hotel development in the PRC as well as centralised heat supply.

In the first half of 2020, the COVID-19 outbreak delivered a severe blow to the global economy, leading to a surge in unemployment and wild fluctuations in the financial market. Thanks to the resolute and effective measures taken by the PRC government for epidemic containment, the PRC economy suffered smaller losses. With resumption of full operation and production since the second quarter of the year, we witnessed slight growth in the GDP. However, the Central Government of China reiterated the main principle of “houses are for living instead of speculation” for the development of the real estate industry, and new first-tier inland cities represented by Changsha continued to implement stringent policies of restrictions on property purchase and mortgage loans. As a major development project of the Group, the Xiangtan Project, which is situated close to Changsha City, benefited from the policy of “houses are for living instead of speculation”. Given the price advantage enjoyed by the Xiangtan Project over the similar residential properties in Changsha City, coupled with the relatively small impact on the property market of Xiangtan City from the policies of restrictions on property purchase and mortgage loans, the products under the Xiangtan Project of the Group became more attractive to investors in Changsha City. The Xiangtan Project launched the high-rise residential products at the end of June this year, which received warm response from the market, further reinforcing our confidence in the promising prospect of the property market of Xiangtan City in the long run.

In the first half of the year, the Guangdong-Hong Kong-Macau Greater Bay Area launched a number of supportive policies to drive rapid economic recovery of the city cluster in the Greater Bay Area. Leveraging on the favourable policies implemented by the government, the Dongguan Heat Supply Energy Project of the Group, which is situated at the heart of the Greater Bay Area, is expected to realise new growth by improving service quality and expanding business presence.

Meanwhile, the Group will focus on elderly care, property management services and other areas that are related to its core business as priority for future development, and will increase investments to nurture new growth drivers.

Looking forward, despite all the challenges ahead, the Group remains confident in its future development based on the solid foundation laid by the Group over the past years. The Group will continue to remain prudent and pragmatic, focus on the development of businesses with huge potential, and meanwhile pay close attention to the performance of other businesses and potential business opportunities, actively explore fresh concepts to strive for new development dimensions and profit growth.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Disclosure of interest by Directors and Chief Executives in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

#### *Long position in the Shares, underlying shares or debentures of the Company*

Name of Director	Capacity/ nature of interest	Number of Shares	Approximate percentage of interest
Zhang Li	Beneficial owner	14,655,625	0.41%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) Disclosure of interest by Substantial Shareholders in the Company**

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

***Long position in the shares and underlying shares of the Company***

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Mr. Zhu Boheng (“ <b>Mr. Zhu</b> ”) ( <i>Note 1</i> )	Interest in controlled corporation	2,073,549,197	58.10%
Keyne Holdings Limited	Beneficial owner	2,073,549,197	58.10%
Cheng Cong ( <i>Note 2</i> )	Interest of controlled corporation	221,544,000	6.21%
Asia Glory International Development Limited	Beneficial owner	221,544,000	6.21%
Cheng Ngok Fai ( <i>Note 3</i> )	Interest of controlled corporation	205,175,000	5.75%
Connected-World Group Limited	Beneficial owner	205,175,000	5.75%
China Huarong International Holdings Limited (“ <b>CHIH</b> ”)	Person having a security interest in shares	2,010,501,197	56.34%
Huarong Real Estate Co., Ltd (“ <b>HREC</b> ”) ( <i>Note 4</i> )	Interest in controlled corporation	2,010,501,197	56.34%

**APPENDIX II**
**GENERAL INFORMATION OF THE GROUP**

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
中國華融資產管理股份有限公司 (Note 4)	Interest in controlled corporation	2,010,501,197	56.34%
Jovial Paradise Limited (“JP”) (Note 5, 6 & 7)	Beneficial owner	76,592,663	2.14%
	Person having a security interest in shares	173,121,000	4.85%
Unicorn Star Properties Limited (“USP”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Soaring Sky Worldwide Limited (“SSW”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
InfraRed NF China Real Estate Fund III L.P. (“INFCREF”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
InfraRed NF China Investors III Limited (“INFCI”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
InfraRed NF China Holdings Limited (“INFCH”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
InfraRed Partners LLP (“IP”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Charles II Realisation LLP (“CIIR”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Vervain Consolidated Investments Limited (“VCI”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Vervain China Development Holdings Limited (“VCDH”) (Note 6)	Interest in controlled corporations	249,713,663	6.99%

Name of Shareholder	Capacity/ nature of interest	Number of Shares	Approximate percentage of interest
Vervain Enterprises Limited ("VE") (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Crosby Investment Holdings Inc. ("CIH") (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Chen Wai Wai Vivien (Note 6)	Interest in controlled corporations	249,713,663	6.99%
Metro Holdings Limited ("MH") (Note 7)	Interest in controlled corporations	249,713,663	6.99%
Ong Jenn (Wang Zhen) (Note 7)	Interest in controlled corporations	249,713,663	6.99%
Ong Sek Hian (Wang Shixian) (Note 7)	Interest in controlled corporations	249,713,663	6.99%

## Notes:

1. Mr. Zhu, being the sole shareholder of Keyne Holdings Limited, is deemed to be interested in the shares in which Keyne Holdings Limited is interested.
2. Mr. Cheng Cong, being the sole shareholder of Asia Glory International Development Limited, is deemed to be interested in the Shares in which Asia Glory International Development Limited is interested.
3. Mr. Cheng Ngok Fai, being the sole shareholder of Connected-World Group Limited ("**Connected-World**"), is deemed to be interested in the Shares in which Connected-World is interested.
4. Based on the form of disclosure of interest filed by 中國華融資產管理股份有限公司 (transliterated in English as China Huarong Asset Management Company Limited, "**CHAMC**") dated 6 December 2018, CHIH is owned as to approximately 88.10% by HREC, which, in turn, is wholly-owned by CHAMC. Each of CHAMC and HREC is therefore deemed to be interested in the Shares in which CHIH is interested under the SFO.
5. Based on the form of disclosure of interest filed by JP dated 30 September 2020, JP beneficially owns 76,592,663 Shares and is interested in 173,121,000 Shares in the capacity of being a person having a security interest in these Shares.

6. Based on the forms of disclosure of interest filed by (a) Chen Wai Wai Vivian dated 30 September 2020 and (b) IP dated 30 September 2020, (i) JP is owned as to 56.23% by USP, which, in turn, is owned as to 78.26% by SSW; (ii) SSW is wholly-owned by INFCREF, which is managed by INFCI as its general partner; (iii) INFCI is wholly-owned by INFCH, which, in turn, is owned as to 50% by IP and 50% by VCI; (iv) the substantial shareholder or directors of IP are accustomed to act in accordance with the directors of CIIR; (v) VCI is wholly-owned by VCDH, which, in turn, is wholly-owned by VE; and (vi) VE is wholly-owned by CIH, which, in turn, is wholly-owned by Chen Wai Wai. Therefore, each of USP, SSW, INFCREF, INFCI, INFCH, IP, CIIR, VCI, VCDH, VE, CIH and Chen Wai Wai Vivian is interested in the Shares in which JP is interested under the SFO.
7. Based on the forms of disclosure of interest filed by (a) Ong Jenn (Wang Zhen) dated 30 September 2020 and (b) Ong Sek Hian (Wang Shixian) dated 30 September 2020, (i) JP is owned as to 43.77% by Firewave Management Limited (“FM”), which, in turn, is wholly-owned by Crown Investments Limited (“CI”); (ii) CI is wholly-owned by Metro China Holdings Pte Ltd (“MCH”), which, in turn, is wholly-owned by MH; and (iii) MH is owned as to 34.43% by Ong Jenn (Wang Zhen) and 34.43% by Ong Sek Hian (Wang Shixian). Therefore, each of FM, CI, MCH, MH, Ong Jenn (Wang Zhen) and Ong Sek Hian is interested in the Shares in which JP is interested under the SFO.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

### **3. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contract (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)) with any member of the Group.

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective associates had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group.

### **5. EXPERT AND CONSENT**

The following is the qualifications of the expert who has given opinions or advice, which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Veda Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which it appear.

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

## **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## **7. MATERIAL CONTRACTS**

The following contract (not being contracts in the ordinary course of business) has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and is or may be material:

- (a) the 2018 Collateral Agreement; and
- (b) the 2019 Collateral Agreement.

## **8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, save as disclosed in this circular, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) 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.

## **9. MISCELLANEOUS**

- (a) The Company engages Ms. Tsang Wing Man (“**Ms. Tsang**”), who is the Assistant Manager of SWCS Corporate Services Group (Hong Kong) Limited, as its company secretary. Ms. Tsang is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.



- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; and the head office and principal place of business of the Company in Hong Kong is at Room 4101, 41/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at 4th Floor, North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.
- (d) The share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over their respective Chinese text.

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

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Room 4101, 41/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong from the date of this circular up to and including 13 January 2021:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2019;
- (c) the letter of consent referred to in the paragraph under the heading "Expert and consent" in this appendix;
- (d) copy of the 2019 Collateral Agreement;
- (e) copy of the material contracts referred in the paragraph under the heading "Material contracts" in this appendix; and
- (f) this circular.