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If you have sold or transferred all your shares in China Tangshang Holdings Limited, you should at once hand this circular together with the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities for the Company.



CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO LEASE CONTRACTS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

A notice convening the SGM of China Tangshang Holdings Limited to be held at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Hong Kong on Thursday, 18 February 2021 at 3:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether you are able to attend the SGM or not, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. 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 if you so wish and in such event, the form of proxy shall be deemed to be revoked.

25 January 2021

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DEFINITIONS

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

“Beijing Mingchuang”	Beijing Mingchuang Business Management Co., Ltd.* (北京名創商業管理有限公司), a company incorporated under the laws of the PRC with limited liability
“Board”	the board of Directors
“BTIT”	Beijing Tian’an Innovation Technology and Estates Limited* (北京天安科創置業有限公司) a company incorporated under the laws of the PRC with limited liability
“Building 12”	Building No. 12, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 27”	Building No. 27, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 52”	Building No. 52, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 53”	Building No. 53, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 56”	Building No. 56, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 58”	Building No. 58, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 59”	Building No. 59, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 60”	Building No. 60, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Building 61”	Building No. 61, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing

* For identification purpose only

DEFINITIONS

“Building 69”	Rooms 101, 102, 108 and 110 on the first floor and the second floor of Building No. 69, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
“Company”	China Tangshang Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 674)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all of the independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, established for the purpose of advising the Independent Shareholders in respect of the signing of Lease Contracts
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Lease Contracts
“Independent Shareholders”	shareholders other than the connected person(s) who is/are interested in the relevant transactions
“Latest Practicable Date”	20 January 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Lease Contracts”	the Lease Contracts entered into by BTIT (as the lessor) and Beijing Mingchuang (as the lessee) in respect of the Property on 11 December 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Lease Contracts”	the Lease Contracts entered into by BTIT (as the lessor) and Beijing Mingchuang (as the lessee) in respect of Buildings No. 15, 32, 38, 40, 41, 54, 62 and 63, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing on 27 December 2019
“Property”	Building 12, Building 27, Building 52, Building 53, Building 56, Building 58, Building 59, Building 60, Building 61 and Building 69
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the 2021 first special general meeting of the Company to be convened and held at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Hong Kong at 3:00 p.m. on 18 February 2021 or any adjournment, for considering and approving, if appropriate, the transactions contemplated under the Lease Contracts
“Share(s)”	ordinary share in the share capital of the Company
“Shareholders”	the holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

Executive Directors:

Mr. Chen Weiwu (*Chairman*)

Mr. Zhou Houjie (*Acting Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Chen Youchun

Ms. Lui Mei Ka

Mr. Zhou Xin

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business in

Hong Kong:

Unit 1201, 12/F.,

29 Austin Road,

Tsim Sha Tsui,

Hong Kong

25 January 2021

To the Shareholders,

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO LEASE CONTRACTS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2020 in relation to the entering of the Lease Contracts.

The purpose of this circular is to provide you with details of, among others,

- (i) information of the terms of the Lease Contracts;

LETTER FROM THE BOARD

- (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Lease Contracts;
- (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Lease Contracts;
- (iv) the financial information of the Group;
- (v) the unaudited profit and loss statements of the Property;
- (vi) the unaudited pro forma financial information of the Group;
- (vii) the management discussion and analysis of the Group;
- (viii) a valuation report of the Property;
- (ix) the SGM which will be convened for the purposes of, inter alia, considering and, if thought fit, passing the resolutions relating to the Lease Contracts; and
- (x) other information as required under the Listing Rules relating to the Lease Contracts.

LEASE CONTRACTS

On 11 December 2020, Beijing Mingchuang, an indirect wholly-owned subsidiary of the Company, entered into the Lease Contracts with BTIT, pursuant to which Beijing Mingchuang agreed conditionally to rent the Property, and BTIT agreed conditionally to lease the Property. The principal terms of the Lease Contracts are as follows:

I. Lease Contract for Building 12

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 12, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 3,504.38 sq.m. (subject to the on-site examination of the building).

LETTER FROM THE BOARD

- Lease term: From 18 February 2021 to 17 February 2031 (10 years)
- The parties may not terminate the contract before the expiry of the term
- Rental: For the first year of the lease, the rental standard is RMB1.47/sq.m. per day; for the second year, the rental standard is RMB1.51/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,880,275.09.
- The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.
- Deposit: The lessee shall pay a deposit of RMB463,629.47 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.
- Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.
- Usage: Office, research and development
- Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.
- Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

LETTER FROM THE BOARD

II. Lease Contract for Building 27

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 27, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 4,828.52 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.54/sq.m. per day; for the second year, the rental standard is RMB1.59/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB2,714,111.08.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB669,232.87 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

LETTER FROM THE BOARD

Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.

Usage: Office, research and development

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

III. Lease Contract for Building 52

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 52, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 15,740 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 31 May 2037 (16 years and 3 months)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first three years of the lease, the rental standard is RMB1.53/sq.m. per day; for every three years thereafter, the rental standard is approximately 5.00% above the last rental standard. The total rent to be paid within 2021 is RMB8,790,003.00.

LETTER FROM THE BOARD

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

- Deposit: The lessee shall pay a deposit of RMB2,167,398.00 to the lessor not later than three working days before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.
- Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.
- Usage: Dormitory
- Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.
- Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

LETTER FROM THE BOARD

IV. Lease Contract for Building 53

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 53, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 3,437.73 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.4/sq.m. per day; for the second year, the rental standard is RMB1.44/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,756,680.02.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB433,153.98 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

LETTER FROM THE BOARD

Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.

Usage: Office, research and development

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

V. Lease Contract for Building 56

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 56, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 2,404.84 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.54/sq.m. per day; for the second year, the rental standard is RMB1.59/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,351,760.56.

LETTER FROM THE BOARD

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB333,310.82 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.

Usage: Office, research and development

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

VI. Lease Contract for Building 58

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

LETTER FROM THE BOARD

Property: Building No. 58, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 2,404.84 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.62/sq.m. per day; for the second year, the rental standard is RMB1.67/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,421,981.88.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB350,625.67 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.

Usage: Office, research and development

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

LETTER FROM THE BOARD

VII. Lease Contract for Building 59

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 59, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 2,404.84 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.54/sq.m. per day; for the second year, the rental standard is RMB1.59/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,351,760.56.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB333,310.82 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

LETTER FROM THE BOARD

Other expense: The lessee shall pay management fee of RMB5.8/sq.m. per month.

Usage: Office, research and development

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

VIII. Lease Contract for Building 60

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 60, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 17,837.26 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.96/sq.m. per day; for the second year, the rental standard is RMB2.02/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB12,760,775.79.

LETTER FROM THE BOARD

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

- Deposit: The lessee shall pay a deposit of RMB3,146,492.66 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.
- Other expense: The lessee shall pay management fee of RMB10.00/sq.m. per month.
- Usage: Office, research and development
- Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.
- Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

LETTER FROM THE BOARD

IX. Lease Contract for Building 61

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Building No. 61, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 14,217.51 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB1.96/sq.m. per day; for the second year, the rental standard is RMB2.02/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB10,171,206.64.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB2,507,968.76 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

LETTER FROM THE BOARD

Other expense: The lessee shall pay management fee of RMB10.00/sq.m. per month.

Usage: Office, research and development

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

X. Lease Contract for Building 69

Rooms 101 and 102 on the first floor

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Rooms 101 and 102 on the first floor of Building No. 69, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 1,110.00 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2036 (15 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first three years of the lease, the rental standard is RMB2.80/sq.m. per day; for every three years thereafter, the rental standard is approximately 5.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,134,420.00.

LETTER FROM THE BOARD

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

- Deposit: The lessee shall pay a deposit of RMB279,720.00 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.
- Usage: Facilities for ancillary services
- Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.
- Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

LETTER FROM THE BOARD

Room 108 on the first floor

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Room 108 on the first floor of Building No. 69, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 119 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB5.05/sq.m. per day; for the second year, the rental standard is RMB5.20/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB219,346.75.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB54,085.50 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

LETTER FROM THE BOARD

Usage: Lifestyle facilities

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

Room 110 on the first floor

Date: 11 December 2020

Parties: Lessor: BTIT

Lessee: Beijing Mingchuang

Property: Room 110 on the first floor of Building No. 69, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 199 sq.m. (subject to the on-site examination of the building).

Lease term: From 18 February 2021 to 17 February 2031 (10 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first year of the lease, the rental standard is RMB5.05/sq.m. per day; for the second year, the rental standard is RMB5.20/sq.m. per day; for each year thereafter, the rental standard is 3.00% above the last rental standard. The total rent to be paid within 2021 is RMB366,806.75.

LETTER FROM THE BOARD

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

- Deposit: The lessee shall pay a deposit of RMB90,445.50 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.
- Usage: Lifestyle facilities
- Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.
- Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

The second floor

- Date: 11 December 2020
- Parties: Lessor: BTIT
Lessee: Beijing Mingchuang
- Property: The second floor of Building No. 69, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, with a total rental area of 2,270.00 sq.m. (subject to the on-site examination of the building).

LETTER FROM THE BOARD

Lease term: From 18 February 2021 to 17 February 2036 (15 years)

The parties may not terminate the contract before the expiry of the term.

Rental: For the first three year of the lease, the rental standard is RMB2.10/sq.m. per day; for every three years thereafter, the rental standard is approximately 5.00% above the last rental standard. The total rent to be paid within 2021 is RMB1,739,955.00.

The above rent was determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rent of similar properties in the surrounding area. The Company understands that the similar property in the surrounding area would include Kingdom Guorui (國銳金嶺), Zhonghangji Plaza (中航技廣場), Hans Plaza (大族廣場) and V Park (鋒創科技園), with the current rental ranging from approximately RMB3.2/sq.m. to RMB7/sq.m. per day. The Group shall pay the rent with its internal funds.

Deposit: The lessee shall pay a deposit of RMB429,030.00 to the lessor before the commencement of the lease term. After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the property, the lessor has the right to deduct the corresponding repair expense for the damaged part from the rental deposit refund.

Usage: Facilities for ancillary services

Condition: The transactions under the lease contract are subject to the obtaining of approval of the shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.

Sublet: The lessee may sublet the property provided that the consent of the lessor is obtained. Such consent is already obtained and is not revocable.

LETTER FROM THE BOARD

Information of the Property

The construction cost and carrying value of the Property by BTIT are as follows:

	Original value (RMB)
Building 12	17,293,478.94
Building 27	23,827,869.39
Building 52	58,114,126.20
Building 53	12,692,546.06
Building 56	8,878,981.91
Building 58	8,878,981.91
Building 59	8,878,974.08
Building 60	50,220,351.09
Building 61	26,572,661.44
Building 69	13,653,495.70

The Property is currently being leased out to approximately 80 lessees.

Under HKAS 40, the Property leased under the Lease Contracts and leased out under operating leases (taking into account the management fee payable by Beijing Mingchuang to BTIT) will be recognized as an investment property and the total value for recognizing the Property set out in the Lease Contracts as investment properties is approximately RMB468,500,000, calculated by reference to the valuation prepared by an independent professional valuer by using income approach.

Set out below is the unaudited statement of profit or loss on the identifiable net income stream of the Property for the two years ended 31 December 2019:

	For the year ended 31 December	
	2018	2019
	<i>RMB</i>	<i>RMB</i>
Revenue	12,192,546.05	21,452,421.05
Profit before income tax expense	3,894,318.84	7,731,645.90
Profit after income tax expense	2,920,739.13	5,798,734.43

LETTER FROM THE BOARD

Existing leases of the Property

For Building 12, the existing lease was signed with Beijing Xinhan Tonghang Investment Co. Ltd.* (北京鑫翰通航投資有限公司) at the rental standard of RMB2.1 per sq.m. per day with an increment of 5% each year. The leased area is 3,504.38 sq.m. and the term is up to 31 July 2025. The lessee is independent of the Company and its connected persons.

For Building 27, the existing lease was signed with Beijing Jiushi Shenkang Medical Technology Co., Ltd.* (北京久事神康醫療科技有限公司) at the rental standard of RMB2.2 per sq.m. per day with an increment of 5% each year. The leased area is 4,828.52 sq.m. and the term is up to 14 September 2027. The lessee is independent of the Company and its connected persons.

For Building 52, the existing lease was signed with Beijing Yihai Xinting Property Management Co., Ltd.* (北京亦海新庭物業管理有限公司) at the rental standard of RMB2.19 per sq.m. per day with an increment of 8% each year. The leased area is 15,740 sq.m. and the term is up to 31 May 2037. The lessee is independent of the Company and its connected persons.

For Building 58, the existing lease was signed with Shengshi Jiajie (Beijing) Culture Development Co., Ltd.* (盛世佳杰(北京)文化發展有限公司) at the rental standard of RMB2.56 per sq.m. per day with an increment of 5% each year. The leased area is 2,404.84 sq.m. and the term is up to 31 October 2028. The lessee is independent of the Company and its connected persons.

For Building 59, the existing lease was signed with Beijing Ruili Zhongyi Software Co., Ltd.* (北京睿利眾屹軟件有限公司) at the rental standard of RMB2.31 per sq.m. per day with an increment of 5% each year. The leased area is 2,404.84 sq.m. and the term is up to 14 July 2025. The lessee is independent of the Company and its connected persons.

For Building 60, the existing leases were signed with various lessees at the rental standard ranging from RMB2.5 to RMB3.2 per sq.m. per day with an increment ranging from 5% to 12% each year. The total leased area is 13,144.80 sq.m. and the expiration dates of the term are ranging from 22 January 2021 to 14 November 2024. The lessees are independent of the Company and its connected persons.

* For identification purpose only

LETTER FROM THE BOARD

For Building 61, the existing leases were signed with various lessees at the rental standard ranging from RMB2.5 to RMB2.97 per sq.m. per day with an increment ranging from 5% to 6% each year. The total leased area is 8,910.20 sq.m. and the expiration dates of the term are ranging from 31 August 2021 to 31 August 2023. The lessees are independent of the Company and its connected persons.

For room 101 and 102 on the first floor and second floor of Building 69, the existing lease was signed with Beijing Zhonghe Property Management Co., Ltd.* (北京忠和物業管理有限公司) at the rental standard of RMB4 and RMB3 per sq.m. per day respectively, with an increment of 8% each year. The leased area is 3,380.00 sq.m. and the term is up to 6 October 2035. The lessee is independent of the Company and its connected persons.

For room 108 on the first floor of Building 69, the existing lease was signed with Beijing Haoyuanhong Commerce and Trading Co., Ltd.* (北京浩源宏商貿有限公司) at the rental standard of RMB7.21 per sq.m. per day respectively, with an increment of 6% each year. The leased area is 119.00 sq.m. and the term is up to 30 April 2024. The lessee is independent of the Company and its connected persons.

For room 110 on the first floor of Building 69, the existing lease was signed with the 8th branch of Beijing Yuekangtong Tongtai Dispensary Co., Ltd.* (北京悦康同泰大藥房有限公司第八分公司) at the rental standard of RMB7.21 per sq.m. per day respectively, with an increment of 6% each year. The leased area is 199.00 sq.m. and the term is up to 30 April 2024. The lessee is independent of the Company and its connected persons.

Building 53 and Building 56 are currently vacant because they are not offered for lease by BTIT.

Beijing Mingchuang will enter into new leases with the original lessees of the Property on the same terms of the existing leases. As of the date of this circular, the original lessees have indicated that they would agree to this arrangement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Property is currently being leased out to certain lessees. BTIT will terminate the lease contracts with the existing lessees and lease the Property to Beijing Mingchuang, which will subsequently lease the Property to the original lessees. The Group engaged in sub-leasing business with its properties situated in Nanjing but it intended to restructure its

* For identification purpose only

LETTER FROM THE BOARD

sub-leasing business by relocating its sub-leasing business to a more profitable location. The Property situates in Beijing, a first-tier city in the Mainland China, with stable lease market and lower business risk. BTIT is willing to work with the Group to diversify the Group's property sub-leasing business in first-tier cities. Besides, since the rent charged to Beijing Mingchuang by BTIT is lower than the market rates as well as the rent to be charged to the tenants by Beijing Mingchuang, which is calculated based on approximately 70% of the current rent charged by BTIT from the existing tenants, the Group can generate revenue by leasing out the Property at the market rates.

In any event, BTIT agrees to provide a rental income guarantee of HK\$51,000,000 each year to Beijing Mingchuang in 2021 and 2022 so that there will be a smooth transition in terms of income of the Group when Beijing Mingchuang enters into new lease contracts with the existing tenants in place of BTIT. The revenue attributed to the sub-leasing business in Nanjing for the year ended 31 March 2020 is HK\$50,796,747 and that the expected revenue in relation to the sub-leasing of the Property in 2021 is approximately HK\$44 million. Hence, the annual rental income guarantee of HK\$51,000,000 will safeguard the Company's interest in the course of restructuring and ensure that the financial performance of the Group will not be affected during the transition period after the cessation of the sub-leasing business in Nanjing even though BTIT and Beijing Mingchuang may need a few months' time to complete all administrative procedures for terminating the original leases with the existing lessees and signing new leases with them. After the end of each of 2021 and 2022, Beijing Mingchuang will check whether the annual rental income for that year meets the guaranteed amount. If there is any shortfall, Beijing Mingchuang will request BTIT to pay an amount equivalent to the shortfall or deduct such amount from the rental payable, at Beijing Mingchuang's discretion.

To maintain the stability of the sub-leasing business and attract long-term tenants, Beijing Mingchuang has requested for a lease term of at least 10 years. This is comparable to the lease terms of the lease contracts entered into by the Group with other independent third parties in the past for operation of its sub-leasing business, ranging from 5 to 20 years. The Board considers that it is a normal business practice for companies operating sub-leasing business to seek for a relatively longer lease duration in order to secure the business operation. Therefore, the lease period of the Property is reasonable and consistent with the prevailing market practice.

Furthermore, having considered the opinions of APAC Asset Valuation and Consulting Limited regarding the fairness of the market rents and management fees of the Property, the Board is of the view that the rental, rental increment rates and management fees of the Property fall below the prevailing market levels, whilst other relevant terms contained in the Lease Contracts, including the rental payment term, rental deposit and lease period, are on normal commercial terms or better under the current market conditions.

LETTER FROM THE BOARD

Having considered the above factors, the Board considers that the terms of the Lease Contracts are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

EFFECTS ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon the taking effect of the Lease Contracts, it is expected that the Lease Contracts will have the following financial effects of the Group:

Assets and liabilities

The unaudited consolidated total assets, total liabilities and net assets of the Group as at 30 September 2020 as extracted from the interim report of the Company for the six months ended 30 September 2020 were HK\$1,568,356,437, HK\$830,900,044 and HK\$737,456,393 respectively. Based on the unaudited pro forma financial information of the Group as set out in the Appendix III to this circular, assuming completion of the Lease Contracts had taken place on 30 September 2020, the pro forma total assets and total liabilities of the Group would have been approximately HK\$2,065,884,605 and approximately HK\$1,328,428,212 respectively. The unaudited pro forma net asset value attributable to equity shareholders of the Enlarged Group would be approximately HK\$737,456,393.

Earnings

The audited net loss of the Group for the year ended 31 March 2020 as extracted from the audited report of the Company for the year ended 31 March 2020 was HK\$33,663,399. Based on the unaudited pro forma financial information of the Group as set out in the Appendix III to this circular, assuming completion of the Lease Contracts had taken place on 31 March 2020, the pro forma net profit of the Group would increase to approximately HK\$18,374,918.

INFORMATION OF THE COMPANY

The Company is a Hong Kong-based investment holding company principally engaged in exhibition and property businesses. The Company has four segments. Exhibition-related business organizes exhibition events and meeting events. Food and beverages represents the sales of food and beverages and restaurant operations. Money lending represents the business of loan to customers, including individuals and corporation, pursuant to the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Property sub-leasing, property development and investment represents the sub-leasing and development of real estates and the leasing of investment properties.

LETTER FROM THE BOARD

INFORMATION OF BEIJING MINGCHUANG

Beijing Mingchuang is principally engaged in sales of food; corporate management, hotel management, property management; provision of management services for motor vehicles in public parking lot; design, production, agency and publication of advertisements; financial consulting (provided that no auditing, capital verification, book inspection, valuation, accounting consulting and other businesses subject to special examination and approval shall be conducted, and no corresponding audit report, capital verification report, book inspection report, valuation report and other written materials shall be issued); sales of daily necessities; leasing of office space.

INFORMATION OF BTIT

BTIT is principally engaged in real estate development (for industrial purpose only); technology development, technical consulting, technology transfer, technical services; economic information consulting (excluding special licensed items); provision of business services; property management; and leasing of commercial housings.

The ultimate beneficial owner of BTIT is Mr. Chen Weiwu. Mr. Chen Weiwu is the executive director of the Company and is interested in approximately 59.76% of the shares of the Company.

APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Lease Contracts except Mr. Chen Weiwu, the connected Director. Other Directors have unanimously approved the Lease Contracts (the connected Director, namely Mr. Chen Weiwu has abstained from voting).

IMPLICATIONS UNDER THE LISTING RULES

The entering into of the Lease Contracts as the lessee will require Beijing Mingchuang to recognize RMB468,500,000 as an investment property, and thus the entering into of the Lease Contracts and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group.

Beijing Mingchuang and BTIT have entered into the Previous Lease Contracts on 27 December 2019. As certain applicable percentage ratios of the Property as a deemed acquisition of investment property together with the Previous Lease Contracts exceed

LETTER FROM THE BOARD

100% on an aggregated basis, the entering into of the Lease Contracts constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this circular, Mr. Chen Weiwu, the executive director of the Company, is interested in approximately 59.76% of the shares of the Company and is an ultimate controlling shareholder of the Company. As Mr. Chen Weiwu indirectly holds 100% of the equity interest in BTIT, BTIT is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Lease Contracts and the transactions contemplated thereunder also constitute connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

OTHER MATTERS

Pursuant to the Listing Rules, an Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the transactions under the Lease Contracts. Rainbow Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and Independent Shareholders as to whether the terms and conditions of the Lease Contracts and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and Shareholders as a whole.

SGM

A notice of SGM is set out on pages SGM-1 to SGM-3 of this circular. All the resolutions as set out in the notice of SGM will be proposed at the SGM.

A form of proxy for the SGM is enclosed with this circular. Whether you are able to attend the SGM or not, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders on the proposed ordinary resolutions at the SGM shall be taken by poll. The chairman of the SGM will demand that all resolutions as set out in the SGM Notice be voted upon by way of poll at the SGM.

To the best of the Director's knowledge, information and belief and having made all reasonable enquires, other than Mr. Chen Weiwu who shall abstain from voting at the SGM in respect of the Lease Contracts, none of the Directors or Shareholders has a material interest on the resolutions proposed at the SGM, and no Shareholder is required to abstain from voting on any of the resolutions at the SGM.

RECOMMENDATION

The Directors believe that the proposed resolutions relating to the Lease Contracts are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the SGM.

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.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

25 January 2021

To the Independent Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED
TRANSACTION IN RELATION TO LEASE CONTRACTS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Reference is made to the circular issued by the Company to the Shareholders dated 25 January 2021 (the “**Circular**”) of which this letter forms a part. Unless the context otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Lease Contracts. Rainbow Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 33 to 46 of the Circular and the additional information is set out in the appendices thereto.

Having considered the terms of the Lease Contracts, and taking into account the independent advice of Rainbow Capital, in particular the principal factors, reasons and recommendations set out in its letter on pages 33 to 46 of the Circular, we consider that the Lease Contracts are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned and the Lease Contracts are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the resolutions to be proposed at the SGM to approve the Lease Contracts.

Yours faithfully,

the Independent Board Committee

Chen Youchun, Lui Mei Ka and Zhou Xin

LETTER FROM RAINBOW CAPITAL

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 Lease Contracts and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



25 January 2021

To the Independent Board Committee and the Independent Shareholders

China Tangshang Holdings Limited
Unit 1201, 12/F
29 Austin Road
Tsim Sha Tsui
Hong Kong

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE LEASE CONTRACTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Lease Contracts 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 25 January 2021 (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 11 December 2020, Beijing Mingchuang, an indirect wholly-owned subsidiary of the Company, entered into the Lease Contracts with BTIT, pursuant to which Beijing Mingchuang conditionally agreed to rent the Property from BTIT for a term ranging from 10 years to 16 years and 3 months. The Property is currently leased out to approximately

LETTER FROM RAINBOW CAPITAL

80 lessees (the “**Original Lessees**”) which are independent third parties. BTIT will terminate the lease contracts (the “**Existing Lease Contracts**”) with the Original Lessees and under the Lease Contracts, lease the Property to Beijing Mingchuang which will subsequently lease the Property to the Original Lessees under the same terms and conditions as the Existing Lease Contracts.

As at the Latest Practicable Date, Mr. Chen Weiwu is an executive director and the controlling shareholder of the Company and is interested in approximately 59.76% of the entire issued share capital of the Company. As Mr. Chen Weiwu indirectly holds 100% of the equity interest in BTIT, BTIT is an associate of Mr. Chen Weiwu and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Hong Kong Financial Reporting Standard 16 Lease (“**HKFRS 16**”), the entering into of the Lease Contracts as a lessee will require the Group to recognise the right-of-use assets in its financial statements. Given that the right-of-use assets are for lease out under operating lease to certain lessees, the right-of-use assets shall be accounted as investment properties under Hong Kong Accounting Standard 40 Investment Properties (“**HKAS 40**”). This will be regarded as deemed acquisition of assets by the Group. Beijing Mingchuang and BTIT have entered into the Previous Lease Contracts on 27 December 2019. As certain applicable percentage ratios in respect of the Lease Contracts and the Previous Lease Contracts exceed 100% on an aggregated basis, the Lease Contracts and the transactions contemplated thereunder constitute a very substantial acquisition and connected transaction for the Company, and are subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Lease Contracts and the transactions contemplated thereunder by way of a poll at the SGM. In view of the interest above, Mr. Chen Weiwu and his associates are required to abstain from voting in respect of the ordinary resolution approving the Lease Contracts and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, has been formed to advise the Independent Shareholders on whether the terms of the Lease Contracts 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. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM RAINBOW CAPITAL

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, BTIT and Mr. Chen Weiwu that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) certain lease contracts, details of which are set out in the circular of the Company dated 25 February 2020; and (ii) the acquisition of a target group engaging in property development, details of which are set out in the circular of the Company dated 22 June 2020. Other than that, there was no engagement between the Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, BTIT or Mr. Chen Weiwu. Accordingly, we are qualified to give independent advice in respect of the Lease Contracts and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) 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 the Circular were true, accurate and complete in all 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 the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the 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 the 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 respects at the time they were made and continued to be so until the date of the Circular.

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 the 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

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Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, BTIT or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the Lease Contracts and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

1. Background to, reasons for and benefits of entering into the Lease Contracts

(i) *The Group*

The Group is principally engaged in (a) exhibition-related business; (b) property sub-leasing, development and investment business; and (c) money lending business. For the year ended 31 March 2020 and the six months ended 30 September 2020, the Group's gross rental income from property sub-leasing business amounted to approximately HK\$65.5 million and HK\$30.5 million, representing approximately 83.5% and 99.0% of total revenue, respectively.

On 27 December 2019, Beijing Mingchuang entered into the Previous Lease Contracts with BTIT to diversify its property sub-leasing business into Beijing, a first-tier city in the PRC with stable lease market and lower business risk. Due to weak market sentiment and unsatisfactory performance, the Group's property sub-leasing business in Nanjing (the "**Nanjing Business**") was disposed of in December 2020 (the "**Disposal**"). As disclosed in the announcement of the Company dated 1 December 2020, the Disposal was part of the Group's development strategy to restructure its property sub-leasing business by shifting the location of the business from a second-tier city to a first-tier city in the PRC (the "**Restructuring**"). The entering into of the Lease Contracts is in line with the Group's stated strategy and represents an expansion of the Group's existing property sub-leasing business in Beijing.

The Shares are listed on the Stock Exchange and the Company had a market capitalisation of approximately HK\$219.3 million as at the Latest Practicable Date.

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(ii) The Property

The Property is located at 北京市北京經濟技術開發區經海三路109號 (No. 109 Jinghaisanlu, Beijing Economic and Technological Development Area, Beijing, the PRC) which is the only state-level economic and technological development area in Beijing and has developed into the hub of high-technology research or development and manufacturing.

The Property is part of the development of 天驥•智谷 (Tianji Zhigu) (the “**Development**”) which is a large-scale industrial development with more than 60 blocks of low-rise and high-rise industrial or office buildings and was completed in three phases between 2013 and 2018.

The Property comprises eight blocks of five to seven-storey office buildings, one block of dormitory building and one block of ancillary building of phases II and III of the Development with a total gross floor area of approximately 70,477.92 sq.m. As at the Latest Practicable Date, the Property was leased out to approximately 80 lessees with expiry dates of the lease terms up to May 2037 and was occupied as research centers and ancillary offices, dormitory and ancillary use.

According to the unaudited profit and loss statements of the Property as set out in Appendix II to the Circular, for the two years ended 31 December 2019 and the eleven months ended 30 November 2020, the Property generated (i) revenue of approximately RMB12.2 million, RMB22.1 million and RMB28.8 million; and (ii) profit before income tax expense of approximately RMB3.9 million, RMB7.7 million and RMB11.1 million, respectively.

(iii) Reasons for and benefits of the entering into of the Lease Contracts

As set out in the interim report of the Company for the six months ended 30 September 2020, while the Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve an improvement in its financial position, it has been exploring and diversifying other suitable investment opportunities to enhance its earning potential so as to attain a sustainable growth. In addition, the Group expects to leverage on the experience of its management team in the real estate development industry as well as the resources and networks of its management team in the PRC for its future development in the property sub-leasing, development and investment business sectors.

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The Group is currently engaged in the property sub-leasing business with its properties situated in Beijing, the PRC. As disclosed in the Letter from the Board, the Disposal and the entering into of the Lease Contracts allow the Group to relocate its property sub-leasing business to a more profitable location with stable lease market and lower business risk. Moreover, as the rents to be charged by BTIT to Beijing Mingchuang under the Lease Contracts are lower than the market rates as well as the rents to be charged by Beijing Mingchuang to the Original Lessees, being approximately 70% of the rent charged by BTIT to the Original Lessees, the Group can generate additional revenue through leasing out the Property.

Furthermore, BTIT agrees to provide a rental income guarantee (the “**Rental Guarantee**”) of HK\$51 million each year to Beijing Mingchuang in 2021 and 2022. After the end of each of 2021 and 2022, Beijing Mingchuang will check whether the annual rental income for that year meets the guaranteed amount. If there is any shortfall, Beijing Mingchuang will request BTIT to pay an amount equivalent to the shortfall or deduct such amount from the rental payable, at Beijing Mingchuang’s discretion. Given the revenue attributable to the Nanjing Business was approximately HK\$50.8 million for the year ended 31 March 2020, we concur with the Directors that the Rental Guarantee will safeguard the Company’s interest in the course of the Restructuring and ensure that the financial performance of the Group will not be affected during the transition period after completion of the Disposal on 21 December 2020.

As disclosed in the Letter from the Board, the lease terms of at least 10 years are comparable to those of the lease contracts entered into by the Group with other independent third parties in the past for operation of its sub-leasing business, ranging from 5 to 20 years, which is beneficial to maintaining the stability of the sub-leasing business and attracting long-term tenants. Therefore, the lease periods of the Property are reasonable and consistent with the prevailing market practice.

Taking into account that (i) the sub-leasing of the Property through the entering into of the Lease Contracts will provide an opportunity for the Group to leverage on the experience of its management team in the real estate development industry as well as the resources and networks of its management team in the PRC to expand its property sub-leasing business in Beijing to achieve sustainable growth, which is consistent with the Group’s stated strategy to seek new investment opportunities to enhance its earning potential; (ii) the Group is able to generate additional revenue through leasing out the Property given that the rates to be charged by BTIT under the Lease

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Contracts are lower than the market rates; (iii) the Rental Guarantee provides the Group with the downside protection against an immediate drop in rental income following completion of the Disposal; and (iv) the lease period of the Property is comparable to the lease terms of the lease contracts entered into by the Group with other independent third parties in the past, we are of the view that the entering into of the Lease Contracts is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

2. The Lease Contracts

Set out below is a summary of the principal terms of the Lease Contracts. Independent Shareholders are advised to read further details of the Lease Contracts as disclosed in the Letter from the Board:

The Property: Building 12, Building 27, Building 52, Building 53, Building 56, Building 58, Building 59, Building 60, Building 61 and Building 69 (comprising Room 101, 102, 108 and 110 on the first floor and the second floor)

Lease term: 10 years to 16 years and 3 months

Rental:

- (i) RMB1.40 to RMB5.05 per sq.m. per day for the first year and RMB1.44 to RMB5.20 per sq.m. per day for the second year. Such rental rates will be increased by 3% for each year thereafter; or
- (ii) RMB1.53 to RMB2.80 per sq.m. per day for the first three years. Such rental rates will be increased by 5% for every three years thereafter.

Deposit: Beijing Mingchuang shall pay a deposit equivalent to 90-day rental to BTIT before the commencement of the lease term.

After the lease term expires or the contract is terminated, if there is damage to the leased property, ancillary equipment and facilities, and the items in the handover receipt of the Property, BTIT has the right to deduct the corresponding repair expense for the damaged part from the rental deposit.

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Other expenses:	Beijing Mingchuang shall pay management fee of RMB5.80 or RMB10.00 per sq.m. per month.
Use of the Property:	Office, research and development, dormitory, facilities for ancillary services and lifestyle facilities
Condition:	The transactions contemplated under the Lease Contracts are subject to the obtaining of approval of the Independent Shareholders in accordance with the applicable regulations (including the Listing Rules) by the Company.
Sublet:	Beijing Mingchuang may sublet the Property provided that the consent of BTIT is obtained. Such consent is already obtained and is not revocable.

(i) Basis of the rentals of the Property

As set out in the Letter from the Board, the rentals for the Property as set out above were determined after arm's length negotiations between the parties and on normal commercial terms or better, with reference to the prevailing rents of similar properties in the surrounding area, including 國銳金嶺 (Kingdom Guorui), 中航技廣場 (Zhonghangji Plaza), 大族廣場 (Hans Plaza) and 鋒創科技園 (V Park), with the current rental ranging from approximately RMB3.20 per sq.m. per day to RMB7.00 per sq.m. per day. We have discussed with the management of the Group the principal terms of the Lease Contracts, as set out in the table above, which the Directors consider to be on normal commercial terms or better.

(ii) Assessment of the principal terms of the Lease Contracts

(a) The Valuer's view

The Company has appointed APAC Asset Valuation and Consulting Limited, an independent valuer (the "**Valuer**"), to form an independent view on whether the terms of the Lease Contracts are on normal commercial terms, fair and reasonable.

As set out in the fair rent letter (the "**Fair Rent Letter**") dated 25 January 2021 issued by the Valuer, after taking into account the terms of the Lease Contracts, it is of the view that (1) the rentals, rental

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increment rates and management fees for the Property are lower than the market levels; (2) other relevant terms contained in the Lease Contracts, including the rental payment term, rental deposit and lease period, are on normal commercial terms under prevailing market conditions which are fair and reasonable; and (3) the lease period of the Lease Contracts is consistent with normal business practice, especially for companies operating property sub-leasing business which should seek for a relatively longer lease duration to secure the business operation (the “**Valuer’s Opinion**”).

According to the Fair Rent Letter, in assessing the fairness and reasonableness of the terms of the Lease Contracts, the Valuer has adopted the direct comparison approach by making reference to the asking rentals and management fees of comparable properties within the locality, subject to appropriate adjustments including but not limited to location, quality, size, time and other relevant factors, given the lack of disclosure of relevant completed lease transactions in the public.

(b) Our due diligence

Assessment of the Valuer’s view

We have conducted an interview with the Valuer to enquire its qualification and experience in assessing the terms of lease agreements in the PRC. The Valuer confirmed that it is a third party independent of the Company and its connected persons. We have also reviewed the terms of engagement of the Valuer, in particular its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Fair Rent Letter. We have performed the work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Valuer and its work as regards the Lease Contracts.

We have also discussed with the Valuer the work it has performed and the methodology, bases and assumptions adopted in arriving at its conclusion in the Fair Rent Letter as to the terms of the Lease Contracts, including the review of the asking rentals and management fees of comparable properties and discussion with the Valuer the adjustments made.

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In light of the above, we consider that the methodology, bases and assumptions adopted by the Valuer in assessing the terms of the Lease Contracts are fair and reasonable.

Furthermore, we have reviewed the Existing Lease Contracts entered into by BTIT and the Original Lessees, and noted that (i) the rents and management fees are generally higher than those to be charged by BTIT to Beijing Mingchuang under the Lease Contracts; (ii) the annual rental increment rates are generally higher than those under the Lease Contracts; (iii) the rental payment terms and the rental deposits required are comparable to those under the Lease Contracts; and (iv) the lease durations range from 2 years to 19 years and 6 months. These indicate that the terms of the Lease Contracts are on normal commercial terms or better which is consistent with the Valuer's Opinion. Given that Beijing Mingchuang will enter into new lease agreements (the "**New Lease Contracts**") with the Original Lessees and lease the Property to the Original Lessees under the same terms and conditions as the Existing Lease Contracts after termination of the Existing Lease Contract by BTIT, we consider that the terms of the Existing Lease Contracts are relevant to assessing the fairness and reasonableness of the terms of the Lease Contracts.

Assessment of the annual rental increment rates

Under the Lease Contracts, the rental increment rates are either (1) 3% for each year; or (2) 5% for every three years which is equivalent to an annual rental increment rate of approximately 1.6%. We consider both rental increment rates to be fair and reasonable after taking into account the following factors:

- (1) the annual rental increment rates under the Lease Contracts are lower than the market levels according to the Fair Rent Letter;
- (2) the annual rental increment rates under the Existing Lease Contracts and the New Lease Contracts are generally higher than those under the Lease Contracts; and
- (3) according to the World Economic Outlook (October 2020) published by the International Monetary Fund (IMF), the PRC inflation rates (annual percent change of average consumer prices) during the period from 2021 to 2025 are estimated to be in the range of 2.6% to 2.7%.

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Assessment of the duration of the Lease Contracts

In respect of the duration, the Lease Contracts have lease terms ranging from 10 years to 16 years and 3 months. In assessing the reasonableness as regards the durations of the Lease Contracts, we have considered the following factors:

- (1) the entering into of the Lease Contracts for a longer term for the Group's property sub-leasing business is consistent with the Group's long-term strategy of achieving a sustainable growth through leveraging on the experience of its management team in the real estate development industry as well as the resources and networks of its management team in the PRC;
- (2) BTIT will terminate the Existing Lease Contracts and under the Lease Contracts, lease the Property to Beijing Mingchuang which will subsequently lease the Property to the Original Lessees under the same terms and conditions as the Existing Lease Contracts. The long-term durations of the Lease Contracts will allow the Group to secure the revenue stream arising from the rental difference between the New Lease Contracts and the Lease Contracts for periods at least up to the expiry dates of the New Lease Contracts;
- (3) although the rental periods of the New Lease Contracts do not coincide with those of the Lease Contracts, we consider that a longer duration of the Lease Contracts will provide the Group with a stable and reliable source of investment properties to develop its property sub-leasing business. Upon expiry of the New Lease Contracts, the Group is allowed to continue to use the Property under the Lease Contracts for its property sub-leasing business;
- (4) each of the Previous Lease Contracts has a lease term of 10 years;
and

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- (5) we have also discussed with the Valuer on the durations of the Lease Contracts. As advised by the Valuer, it is common for companies which operate property sub-leasing business to seek for a relatively longer lease duration to secure the business operation. As such, the Valuer stated in the Fair Rent Letter that the lease periods of the Lease Contracts are consistent with normal business practice, especially for companies operating property sub-leasing business.

Based on the above, we are of the view that the lease terms of the Lease Contracts ranging from 10 years to 16 years and 3 months are normal commercial terms for a transaction of this nature and it is normal business practice for contracts of this type to be of such duration.

(c) Our view

On the above basis, in particular the Valuer's view on the terms of the Lease Contracts and the favorable rentals (including rental increment rates and management fees) of the Lease Contracts over those of the Existing Lease Contracts and the New Lease Contracts, we consider that the terms of the Lease Contracts are on normal commercial terms or better, with a reasonable length of duration for the Group to implement its stated development strategy, as discussed above.

3. Financial effect on the Group

(i) Right-of-use asset and lease liability

The Lease Contracts are long-term leases for a duration ranging from 10 years to 16 years and 3 months. Pursuant to the new HKFRS 16, the entering into of the Lease Contracts as a lessee will require the Group to recognise the right-of-use asset in its financial statements. Given that the right-of-use assets are for lease out under operating lease to certain lessees, the right-of-use assets shall be accounted as investment properties under HKAS 40. A resultant lease liability will be recognised by the Group at the same time. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Please refer to the unaudited pro forma financial information of the Group (the “**Unaudited Pro Forma Financial Information**”) set out in Appendix III to the Circular for details of the accounting treatment of the Lease Contracts.

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Based on the Unaudited Pro Forma Financial Information, assuming the transactions contemplated under the Lease Contracts were completed as at 30 September 2020, the Group would initially recognise investment properties of approximately HK\$496.3 million and the corresponding lease liabilities of approximately HK\$496.3 million.

(ii) Profitability

Given that (a) the rents charged under the Lease Contracts are lower than the market levels and those under the New Lease Contracts; and (b) BTIT agrees to provide the Rental Guarantee that the rental income arising from the sub-leasing of the Property for each of 2021 and 2022 shall be no less than HK\$51 million, the Directors are of the view that the future return to be generated from the Property is expected to contribute positively to the results of the Group. It should, however, be noted that the results of the Group will be affected by the interest expenses incurred for the lease liabilities and the fair value change on the investment properties as at each reporting date.

(iii) Cash flow

As advised by the Directors, the Group currently intends to finance the future rent payments under the Lease Contracts by the future rental income arising from the New Lease Contracts and/or internal resources of the Group. As at 30 September 2020, the Group had cash and bank balances of approximately HK\$225.7 million. The Directors have confirmed that, taking into account the financial resources available to the Group, including the existing bank balances, internal resources and available credit facilities of the Group, the Group will have sufficient working capital for its requirements for at least 12 months from the date of the Circular, in the absence of unforeseeable circumstances.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon the Lease Contracts becoming effective.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Lease Contracts and the transactions contemplated thereunder are on normal commercial terms or better which are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the Lease Contracts is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Lease Contracts 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 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three financial years ended 31 March 2018, 2019 and 2020, including the independent auditors' report thereon and the notes thereto, have been disclosed in the respective annual reports of the Company. The auditor of the Company has not issued any qualified opinion on the Group's consolidated financial statements for the three financial years ended 31 March 2018, 2019 and 2020. The annual reports of the Company for the three financial years ended 31 March 2018, 2019 and 2020 are published on the websites of HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.ts674.com>) respectively.

The 2018 Financial Statements are set out from page 58 to 200 in the 2018 Annual Report which was published on 27 July 2018. The 2018 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.ts674.com>) and is accessible via the following hyperlink:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0727/ltn20180727564.pdf>

The 2019 Financial Statements are set out from page 59 to 236 in the 2019 Annual Report which was published on 25 July 2019. The 2019 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.ts674.com>) and is accessible via the following hyperlink:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725937.pdf>

The 2020 Financial Statements are set out from page 63 to 228 in the 2020 Annual Report which was published on 28 July 2020. The 2020 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.ts674.com>) and is accessible via the following hyperlink:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0728/2020072800454.pdf>

2. INDEBTEDNESS

As at the close of business on 30 November 2020, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings of approximately HK\$326.7 million, details of which are set out below:

*Approximate
HK\$ million*

Bank and other borrowings, secured and guaranteed	
Repayable within one year	279.1
Repayable between one and two years	14.1
Repayable between two and within three years	<u>6.5</u>
	<u>299.7</u>
Amount due to related party, unsecured	<u>27.0</u>

Securities

As at 30 November 2020, Mr. Yang Lei (a director of certain subsidiaries of the Company), his spouse and a company beneficially owned by Mr. Yang Lei and his spouse (the “Related Company”), a related party and the independent third party companies respectively provided guarantees for certain bank and other borrowings of the Group. Certain assets of Mr. Yang Lei, his spouse, a related party, the Related Company, the independent third party companies, investment properties of the Group with carrying amounts of approximately HK\$95,549,000 and certain shares of a subsidiary of the Group were also pledged to secure the aforesaid bank and other borrowings of the Group.

Guarantees

As at 30 November 2020, an indirect non-wholly owned subsidiary of the Company provided the guarantee in respect of loan facilities from financial institutions in the Peoples’ Republic of China for the principal amount of up to RMB100,000,000 and RMB40,000,000 respectively to two independent third parties.

Lease liabilities

The lease liabilities as at 30 November 2020 were approximately HK\$202.4 million.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, the Group did not have any loan capital issued or agreed to be issued, debt securities issued and outstanding, authorized or otherwise created but unissued, bank overdrafts or loans or term loans, other borrowings or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 November 2020.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry and taking into account the existing bank balances and cash, internal resources, available credit facilities and the effect of the transactions, the Group will have sufficient working capital for its present requirements for a period of 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 March 2020, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The outbreak of COVID-19 has resulted in major impact to businesses especially in exhibition segment and the future is challenging and unpredictable in global business environment. The pandemic has put forward higher requirements for the Group to review and perform in terms of its future strategy planning. Despite the challenges currently facing, the PRC economy has shown stable growth momentum, supported by the sustainable development and continuous improvement in the macro economy. As a result of the adverse impact of COVID-19, the Directors of the Group are expecting the businesses to remain cautious and will take appropriate measures as and when it is necessary to minimise the financial impact, meanwhile to also look for potential investment opportunities which could strengthen the financial profitability for the Group.

The management team and the Board of Directors are made up of highly qualified and competent individuals who are experienced in the real estate development industry in PRC. The team possesses significant knowledge, resources and networks in China of which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment projects in the PRC.

The Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position and to meet its performance objectives. The Group is working towards attaining a sustainable growth whilst continuously exploring and diversifying other suitable investment opportunities (if any) to enhance the overall earning potential, and ultimately maximising the shareholder value.

By entering into the Lease Contracts, the Group would be able to restructure its sub-leasing business by relocating its sub-leasing business to Beijing, a first-tier city in the PRC, with stable lease market and lower business risk. Moving forward, the Group plans to make investment in more property sub-leasing, development and investment projects in the PRC. The Company believes that this would bring steady returns to the shareholders of the Company.

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

In accordance with Rule 14.69(4)(b)(i) of the Listing Rules, the Company is required to include in this Circular a profit and loss statement for the three preceding financial years on the identifiable net income stream in relation to such assets which must be reviewed by the reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

The unaudited profit and loss statements of identifiable net income stream attributable to each of the properties to be acquired for the years ended 31 December 2017, 2018 and 2019 and eleven months ended 30 November 2020 (the “**Relevant Periods**”) (the “**Unaudited Profit and Loss Statements**”) prepared by the directors of the Company are set out below:

Building 27

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	—	—	1,204
Other operating expenses	—	—	—	(1,146)
Profit before income tax expense	—	—	—	58

Building 12

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	873	699	640
Other operating expenses	—	(740)	(1,429)	(1,375)
Profit before income tax expense	—	133	(730)	(735)

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

Building 59

	Year ended 31 December			Eleven months ended 30 November 2020
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	730	646	1,445
Other operating expenses	—	(555)	(830)	(854)
Profit before income tax expense	—	175	(184)	591

Building 58

	Year ended 31 December			Eleven months ended 30 November 2020
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	196	1,291	1,630
Other operating expenses	—	(272)	(842)	(878)
Profit before income tax expense	—	(76)	449	752

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

Building 52

	Year ended 31 December			Eleven months ended 30 November 2020
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	839	10,064	10,078	9,211
Other operating expenses	<u>(247)</u>	<u>(5,671)</u>	<u>(5,882)</u>	<u>(5,546)</u>
Profit before income tax expense	<u>592</u>	<u>4,393</u>	<u>4,196</u>	<u>3,665</u>

Building 60

	Year ended 31 December			Eleven months ended 30 November 2020
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	329	8,674	10,779
Other operating expenses	<u>—</u>	<u>(1,060)</u>	<u>(4,222)</u>	<u>(5,270)</u>
Profit before income tax expense	<u>—</u>	<u>(731)</u>	<u>4,452</u>	<u>5,509</u>

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

Building 61

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—	256	2,985
Other operating expenses	<u>—</u>	<u>—</u>	<u>(1,050)</u>	<u>(2,000)</u>
Profit before income tax expense	<u>—</u>	<u>—</u>	<u>(794)</u>	<u>985</u>

Building 69 1/F Room 101 & 102

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—	—	117
Other operating expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>
Profit before income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>(54)</u>

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

Building 69 2/F

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—	—	179
Other operating expenses	—	—	—	(327)
Profit before income tax expense	—	—	—	(148)

Building 69 1/F Room 108

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—	257	236
Other operating expenses	—	—	(47)	(64)
Profit before income tax expense	—	—	210	172

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

Building 69 1/F Room 110

	Year ended 31 December			Eleven months ended 30 November
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	—	197	412
Other operating expenses	—	—	(64)	(109)
Profit before income tax expense	—	—	133	303

Building 53 and Building 56 are vacant and no revenue generated by the landlord because they are not offered for lease during the Relevant Periods.

Pursuant to Rule 14.69(4)(b)(i) of the Listing Rules, the directors of the Company engaged BDO Limited, the reporting accountants of the Company, to perform certain factual finding procedures on the compilation of the Unaudited Profit And Loss Statements as shown above in accordance with Hong Kong Standard on Related Services 4400 “Engagements to perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The procedures are performed solely to assist the directors of China Tangshang Holdings Limited (the “Company”) in evaluating whether the amounts shown in the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records for the purpose of satisfying the requirements under Rule 14.69(4)(b)(i) of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited, and are summarised as follows:

1. To obtain the Unaudited Profit and Loss Statements which were prepared by the management of the Company, and check its arithmetical accuracy; and
2. In respect of each of the Unaudited Profit and Loss Statements obtained, compare the amounts shown on the Unaudited Profit and Loss Statements with the relevant amounts in the underlying books and records of the Property provided by the landlord to the management of the Company for the Relevant Periods.

APPENDIX II UNAUDITED PROFIT AND LOSS STATEMENTS OF THE PROPERTY

The reporting accountants' factual findings are as follows:

1. With respect to item 1, we obtained the Unaudited Profit and Loss Statements, which were prepared by the management of the Company, and found the amounts in the Unaudited Profit and Loss Statements to be arithmetically accurate.
2. With respect to item 2, we compared the amounts shown on the Unaudited Profit and Loss Statements with the relevant amounts in the underlying books and records of the Property provided by the landlord to the management of the Company for the Relevant Periods and found them to be in agreement.

The reporting accountants has performed the above agreed-upon procedures set out in the relevant engagement letter with the Company and reported its factual findings based on the agreed-upon procedures to the directors of the Company. Pursuant to the terms of the relevant engagement letter between the Company and the reporting accountants, the reported factual findings should not be used or relied upon by any other parties for any purpose. In the opinion of the directors of the Company, the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records. The work performed by the reporting accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the Unaudited Profit and Loss Statements of the Property.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP****(1) Introduction to Unaudited Pro Forma Financial Information of The
Enlarged Group**

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”), which has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effects upon completion of the very substantial acquisition and connected transaction in relation to lease contracts by the Group (the “**Transaction**”) as if it had taken place on 30 September 2020 for the unaudited pro forma consolidated statement of assets and liabilities and as if it had taken place on 1 April 2019 for the unaudited pro forma consolidated statement of comprehensive income.

The Unaudited Pro Forma Financial Information are prepared based on

- (a) the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020 as set out in the Group’s published interim report dated 24 December 2020;
- (b) the audited consolidated statement of comprehensive income for the year ended 31 March 2020 as set out in the Group’s published annual report dated 28 July 2020;
- (c) the unaudited pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information.

Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual assets and liabilities and financial performance of the Enlarged Group that would have been attained has the Transaction been completed on 30 September 2020 or 1 April 2019, nor purport to predict the Enlarged Group’s future financial position and financial performance.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 September 2020, the published annual report of the Company for the year ended 31 March 2020 and other financial information included elsewhere in the Circular.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial performance of the Enlarged Group had the Transaction been completed as at 30 September 2020 or 1 April 2019, where applicable, or any future date.

(2) Unaudited Pro Forma Consolidated Statement of Assets And Liabilities of The Enlarged Group as at 30 September 2020

	The Group assets and liabilities as at 30 September 2020 HK\$ Note 1	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2020 HK\$
		HK\$ Note 3	HK\$ Note 4	HK\$ Note 5	
Non-current assets					
Property, plant and equipment	3,432,105				3,432,105
Investment properties	174,560,817		1,240,200	496,287,968	672,088,985
Goodwill	197,100				197,100
Intangible assets	379,868				379,868
Rental deposits	—	12,812,064			12,812,064
Finance lease receivables	121,239,562				121,239,562
Total non-current assets	299,809,452				810,149,684

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group assets and liabilities as at 30 September 2020 HK\$ Note 1	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2020 HK\$ Note 5
		HK\$ Note 3	HK\$ Note 4	HK\$ Note 5	
Current assets					
Inventories	9,676,331				9,676,331
Properties under development	665,911,604				665,911,604
Trade and other receivables	359,709,203				359,709,203
Finance lease receivables	7,135,702				7,135,702
Amounts due from non-controlling shareholders of subsidiaries	4,000				4,000
Amounts due from related parties	411,643				411,643
Cash and bank balances	225,698,502	(12,812,064)			212,886,438
Total current assets	<u>1,268,546,985</u>				<u>1,255,734,921</u>
Total assets	<u>1,568,356,437</u>				<u>2,065,884,605</u>
Current liabilities					
Trade, bills and other payables	134,730,392		1,240,200		135,970,592
Contract liabilities	122,078,103				122,078,103
Amounts due to related parties	27,138,693				27,138,693
Amount due to non-controlling shareholder of subsidiaries	36,706,573				36,706,573
Bank and other borrowings	99,693,771				99,693,771
Lease liabilities	29,486,775			30,468,806	59,955,581
Current tax liabilities	542,172				542,172
Total current liabilities	<u>450,376,479</u>				<u>482,085,485</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2020			
	The Group assets and liabilities as at 30 September 2020 HK\$ Note 1	Pro forma adjustments		HK\$ Note 5	HK\$
		HK\$ Note 3	HK\$ Note 4		
Net current assets	818,170,506				773,649,436
	<u>1,117,979,958</u>				<u>1,583,799,120</u>
Total assets less current liabilities					
Non-current liabilities					
Bank and other borrowings	207,904,402				207,904,402
Lease liabilities	172,619,163		465,819,162		638,438,325
	<u>380,523,565</u>				<u>846,342,727</u>
Total non-current liabilities					
Total liabilities	830,900,044				1,328,428,212
	<u>737,456,393</u>				<u>737,456,393</u>
Net assets					

(3) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

	Consolidated statement of comprehensive income of the Group for the year ended 31 March 2020					Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 March 2020
	HK\$ Note 1	HK\$ Note 7	Pro forma adjustments		HK\$ Note 10	HK\$
			HK\$ Note 8	HK\$ Note 9		
Revenue	78,417,058			24,844,781		103,261,839
Other gains or losses, net	(27,029,283)		65,918,126			38,888,843
Cost of inventories	(260,900)					(260,900)
Depreciation on property, plant and equipment	(1,180,905)					(1,180,905)
Short term lease payments	(869,696)					(869,696)
Staff costs	(21,800,424)					(21,800,424)
Other operating expenses	(41,943,862)			(16,151,694)	7,240,492	(50,855,064)
Finance cost	(18,291,340)	(25,829,993)				(44,121,333)
(Loss)/profit before income tax expenses	(32,959,352)					23,062,360
Income tax expenses	(704,047)			(2,173,272)	(1,810,123)	(4,687,442)
(Loss)/profit for the year	<u>(33,663,399)</u>					<u>18,374,918</u>
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss:						
— Exchange differences arising on translating foreign operations	(5,943,253)					(5,943,253)
Total comprehensive income for the year	<u>(39,606,652)</u>					<u>12,431,665</u>
(Loss)/profit for the year attributable						
— Owner	(37,308,877)	(25,829,993)	65,918,126	6,519,815	5,430,369	14,729,440
— Non-controlling interests	<u>3,645,478</u>					<u>3,645,478</u>
	<u>(33,663,399)</u>					<u>18,374,918</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Consolidated statement of comprehensive income of the Group for the year ended 31 March 2020					Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 March 2020
	HK\$	HK\$	Pro forma adjustments		HK\$	HK\$
	Note 1	Note 7	Note 8	Note 9	Note 10	
Total comprehensive income for the year attributable						
— Owner	(40,695,096)	(25,829,993)	65,918,126	6,519,815	5,430,369	11,343,221
— Non-controlling interests	1,088,444					1,088,444
	<u>(39,606,652)</u>					<u>12,431,665</u>

Notes:

- The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group for the six months ended 30 September 2020 set out on pages 21 to 22 of the 2020 published interim report of the Company (“**Interim Condensed Financial Statements**”) and the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2020 set out on pages 70 to 71 of 2020 published annual report of the Company (“**Annual Financial Statements**”).
- For the unaudited pro forma consolidated statement of assets and liabilities, the amount of Renminbi (“**RMB**”) is translated into Hong Kong dollars (“**HK\$**”) at the exchange rate of RMB1 to HK\$1.1380, which is the prevailing exchange rate on 30 September 2020. For the unaudited pro forma statement of comprehensive income, the amount of RMB is translated into HK\$ at exchange rate of RMB1 to HK\$1.1243.
- The adjustment represents the rental deposits of approximately RMB11,258,404 (equivalent HK\$12,812,064) payable by the Group upon effective of the lease agreements. This adjustment is expected to have a continuing financial effect on the Group as the rental deposits are refundable upon expiry of the lease agreements.
- The adjustment represents the estimated legal and professional fees and other direct expenses directly attributable to the Transaction of approximately HK\$1,240,200 which would be part of the cost of the assets acquired. This adjustment is not expected to have a continuing financial effect on the Group.

5. The pro forma financial information is prepared in a manner consistent with both the format and accounting policies adopted by the Group in its Interim Condensed Financial Statements and therefore the pro forma financial information is materially consistent with the accounting basis used by the Group. Pursuant to Hong Kong Financial Reporting Standard 16 Leases (“HKFRS 16”), the entering into the Transaction as a lessee will require the Group to recognise the right-of-use assets in its financial statements. Had the adoption of HKFRS 16 for the Transaction been taken into account, lease liabilities will be initially recognised with amount of approximately RMB436,105,420 (equivalent to HK\$496,287,968) and the right-of-use assets with amount of approximately RMB436,105,420 (equivalent to HK\$496,287,968) will also be initially recognised. The total assets and total liabilities of the unaudited pro forma consolidated statement of assets and liabilities would then be increased by approximately RMB436,105,420 (equivalent to HK\$496,287,968) and RMB436,105,420 (equivalent to HK\$496,287,968) respectively.

As the Group intends to enter into arrangements to sublease the leased assets to third parties while the original lease contracts are in effect, assuming the subleases have been entered into and are classified as operating leases, the Group, as the intermediate lessor, will continue to account for the lease liabilities and right-of-use assets on the head leases like any other lease in accordance with HKFRS 16.

The right-of-use assets will be presented as investment properties measured at fair value assuming that the right-of-use assets meet the definition of investment property in accordance with HKAS 40 Investment Property (“HKAS 40”) and a separate line item under non-current assets, whereas the lease liabilities will be presented as a separate line item of which approximately RMB26,773,995 (equivalent to HK\$30,468,806) under current liabilities and approximately RMB409,331,425 (equivalent to HK\$465,819,162) under non-current liabilities in the unaudited pro forma consolidated statement of assets and liabilities. The calculation of impact of HKFRS 16 for the Transaction have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the impact to the Group had the Transaction been completed on the actual date of completion.

6. As the Group intends to enter into arrangements to sublease the leased assets to third parties while the original lease contracts are in effect, the following paragraphs, which do not form part of the adjustment in Note 5, describes the accounting assuming the subleases have been entered into and are classified as finance leases. The Group, as the intermediate lessor, will derecognise the right-of-use assets on the head lease at the sublease commencement date and recognise net investments in the subleases and continues to account for the original lease liabilities in accordance with the lessee accounting model in accordance with HKFRS 16. Any difference between the right-of-use assets and the net investments in subleases will be recognised in profit or loss.

The impact of HKFRS 16 for the Transaction have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the impact to the Group had the Transaction been completed on the actual date of completion.

7. The adjustment represents the interest expenses incurred for the lease liabilities as if the Transaction is completed on 1 April 2019. Under HKFRS 16, all leases are required to be capitalised as right-of-use assets and lease liabilities. The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate. Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made. The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised as if the Transaction completed on 1 April 2019 is 6.5%. The adjustment is expected to have a continuing effect on the Group.

8. The adjustment represents the fair value change on the investment properties as if the Transaction is completed on 1 April 2019. The right-of-use assets will be presented as investment properties assuming that the right-of-use assets meet the definition of investment property in accordance with HKAS 40. And the right-of-use assets which is initially measured at cost and subsequently measured at fair value. Change in fair value of investment property will be recognised in profit or loss.

As if the Transaction completed on 1 April 2019, the fair value change represents the difference in fair value of the Property between 1 April 2019 and 31 March 2020.

In preparing the Unaudited Pro Forma Financial Information, a valuation of the right-of-use assets which classified as investment properties is prepared by the independent professional valuer and adopted income approach for calculating the fair value as at 30 November 2020. The fair value of the Property as at 31 March 2020 is calculated as if the yield rate, the market rent and occupancy rate of the Property are remained at the same as the valuation date of the Property on 30 November 2020, except for adjusting the remaining lease term. The adjustment is expected to have a continuing effect on the Group.

Investment properties	HK\$
Balance as 1 April 2019	490,313,324
Transaction cost directly attributable to the acquisition of the assets	1,240,200
Fair value gain on investment properties	65,918,126
	<hr/>
Balance at 31 March 2020	557,471,650
	<hr/>

9. The adjustment represents the total revenue and expenses of the Property extracted from the Unaudited Profit or Loss Statements of the Property for the year ended 31 December 2019 in Appendix II of the Circular are amounted to RMB22,098,000 (equivalent to HK\$24,844,781) and RMB14,366,000 (equivalent to HK\$16,151,694) respectively.

Assuming the Transaction had take place on 1 April 2019 and the existing leases of the Property between BTIT and lessees (“**Original Leases**”) had been superseded by the new leases of the Property between the Group and the lessees with the same terms as contained in the Original Leases on 1 April 2019 (“**New Leases**”), the revenue of the Group would increase from HK\$78,417,058 to HK\$103,261,839. Superseding the Original Leases with the New Leases is considered as interlocking component of the Transaction by the directors in preparing the Unaudited Pro Forma Financial Information.

A rental income guarantee of HK\$51,000,000 each year provided by BTIT to the Group in 2021 and 2022 after the completion of the Transaction is not taken into account in the above illustration.

The income tax effect are calculated based on Enterprise Income Tax rate of the People’s Republic of China at 25%.

10. The adjustment represents the depreciation of the Property of RMB6,440,000 (equivalent to HK\$7,240,492) which to be excluded from the expenses of the Group as the Group’s accounting policy is to classify the Property as investment properties and state the Property at fair value in accordance with HKAS 40.

The income tax effect are calculated based on Enterprise Income Tax rate of the People’s Republic of China at 25%.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT
ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

To the directors of China Tangshang Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Tangshang Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) and the right-of-use assets being acquired (collectively referred to as the “**Enlarged Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2020, the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 March 2020 and related notes as set out on pages III-2 to III-8 of Appendix III of the Company’s circular dated 25 January 2021 (the “**Circular**”) in connection with the very substantial acquisition and connected transaction in relation to lease contracts (the “**Transaction**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-1 to III-2 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Transaction on the Company’s assets and liabilities as at 30 September 2020 as if the Transaction had taken place on 30 September 2020 and on the Company’s consolidated financial performance for the year ended 31 March 2020 as if the Transaction had been taken place at 1 April 2019. As part of this process, information about the consolidated financial position has been extracted by the directors of the Company from the Company’s unaudited

condensed consolidated financial statements for the six months ended 30 September 2020, on which no audit or review report has been published, and information about the Company's consolidated financial performance has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 31 March 2020, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 September 2020 or 1 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

25 January 2021

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 March 2018, 2019 and 2020.

For the year ended 31 March 2018**FINANCIAL REVIEW****Consolidated results**

For the year ended 31 March 2018, the Group recorded revenue of approximately HK\$81.3 million compared to approximately HK\$78.7 million for the last financial year, representing an increase of about 3.3%, and loss for the year ended 31 March 2018 of approximately HK\$13.4 million compared to approximately HK\$94.1 million for the last financial year, representing a decrease of about 85.8%. The Group had a substantially reduction in the loss for the year ended 31 March 2018 as compared to last financial year primarily because of: (i) net gain attribute to the completion of disposal of subsidiaries of the Company; and (ii) decrease in administration expenses in relation of reduction in staff costs (including directors' emolument), rental expenses and legal and professional fees.

BUSINESS REVIEW**Exhibition-related business**

China Resources Advertising & Exhibition Company Limited, a direct wholly-owned subsidiary of the Company (together with its subsidiaries, the “**CRA Group**”) is principally engaged in exhibition-related business. The CRA Group has acted as an organizer and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20 years of relationship with the Hong Kong Trade Development Council (“**HKTDC**”) and has become one of the major agents organising trade fairs for PRC groups whilst most of which were co-organised with the HKTDC. The clients of the CRA Group are primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in the PRC. For the year ended 31 March 2018, this business segment recorded revenue of approximately HK\$39.4 million compared to approximately HK\$42.7 million for the last financial year, representing a decrease of about 7.7%. The drop in revenue was mainly due to the decrease in number of events participants. The loss for the financial year of approximately HK\$2.7 million compared to approximately HK\$4.1 million for the last financial year, representing a decrease of about 34.1%.

Property sub-leasing, development and investment business

For the year ended 31 March 2018, this business segment recorded revenue of approximately HK\$35.8 million compared to approximately HK\$32.4 million for the last financial year, representing a increase of about 10.5%, the rise in revenue was mainly due to the increase in rent for new tenants and renewal tenants in sub-leasing certain properties in the PRC. It recorded loss for the financial year of approximately HK\$0.4 million as compared to loss of approximately HK\$1.2 million for the last financial year.

Money lending

During the year, the Group conducted money leading business in Hong Kong and recognised interest income for approximately HK\$2.2 million during the year (2017: HK\$3.5 million).

Liquidity and financial resources

As at 31 March 2018, the Group had bank borrowings, bills payables and convertible bonds in total of approximately HK\$98.1 million (2017: HK\$51.4 million). The gearing ratio of the Group as at 31 March 2018 was 87.4% compared with 36.5% as at 31 March 2017. Such ratio was calculated with reference to the bank borrowings, bills payables and convertible bonds over the Company's equity attributable to owners of the Company. As at 31 March 2018, the Group had net current assets of approximately HK\$85.1 million (2017: net current assets of approximately HK\$2.1 million). The current ratio of the Group as at 31 March 2018 was approximately 1.5 compared with 1.0 as at 31 March 2017.

The maturity profile of the Group's bank borrowings is set out as follows:

	2018	2017
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable		
Within one year	<u>30.0</u>	<u>51.4</u>

The carrying amounts of all the Group's bank borrowings were denominated in RMB. All of the Group's bank borrowings balance of approximately HK\$30.0 million as at 31 March 2018 which was charged at a floating interest rate. The bank borrowings carry interest rates ranged from 5.66% to 6.50% (2017: 2.76% to 6.50%) per annum. As at 31 March 2018, no unutilised bank borrowing facility was remained (2017: HK\$30 million).

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2018, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

During the year ended 31 March 2018, the Group completed the following fund raising exercise to strengthen its financial position and raised the gross proceeds of approximately HK\$46.3 million, with the net proceeds of approximately HK\$46.1 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2018	Unutilised amount as at 31 March 2018
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK\$46,341,960	Approximately HK\$46.1 million for general working capital of the Group	Approximately HK\$11.8 million	Approximately HK\$34.3 million

Charges

As at 31 March 2018, all of the bank borrowings of the Group in the total amount of HK\$30.0 million were secured by personal and corporate guarantees provided by Mr. Yang Lei, a director of certain subsidiaries of the Company, his spouse and a related company, which is beneficially owned by Mr. Yang Lei and his spouse (the “**Related Company**”) and certain assets of Mr. Yang Lei, his spouse and a related party.

On 25 November 2015, 南京垠坤投資實業有限公司 (“Nanjing Yinkun Investment Corporation Co. Ltd.*”), an indirect non-wholly owned subsidiary of the Company, provided the guarantee in respect of a loan facility for the principal amount of up to RMB35 million provided to an independent third party from a financial institution in the PRC. The amount under the loan facility has been fully repaid on 21 November 2017.

On 13 September 2017, 南京垠坤投資實業有限公司 (“Nanjing Yinkun Investment Corporation Co. Ltd.*”) and 南京創意東八區科技有限責任公司 (“Nan Jing Chuang Yi Dong Ba Qu Technology Development Co., Ltd.*”), two indirect non-wholly owned subsidiaries of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB40 million provided to an independent third party from a financial institution in the PRC. Details of the guarantee have been set out in the Company’s announcement dated 27 November 2017.

Save as disclosed above, the Group did not have any charges on assets as at 31 March 2018.

Contingent liabilities

As at 31 March 2018, the Group had no material contingent liabilities.

Emolument policy

As at 31 March 2018, the Group employed a total number of 85 (2017: 139) employees. The remuneration of the employees of the Group for continuing operations is amounted to approximately HK\$22.4 million for the year ended 31 March 2018 (2017: HK\$35.8 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company’s operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses are rewarded to the Directors and employees based on the Group’s operating results and their performance.

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the Director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

During the year, the Company, as the vendor, entered into a framework disposal agreement (the “**Framework Disposal Agreement**”), pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally with True Glory Ventures Limited (the “**Purchaser**”) agreed to purchase the entire equity interests of a number of subsidiaries (the “**Target Companies**”), for a total cash consideration of HKD500,000. The completion of the disposal took place on 31 March 2018 in accordance with the terms and conditions of the Framework Disposal Agreement. Following the completion, those subsidiaries will no longer be held by the Group. Details of the Disposal were disclosed in the Company’s announcements dated 9 February 2018, 4 March 2018 and 31 March 2018.

Save as the disposal of the entire equity interest in the Target Companies, there was no other significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2018.

Outlook

Looking ahead, the Directors expect the business environment to remain challenging, but are cautiously optimistic towards the overall outlook of the Group. The Group has continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position. The Group is working towards to attain a sustainable growth, and at the same time the Group is also continuously exploring and identifying other suitable investment opportunities (if any) to enhance its earning potential so as to enhance shareholder value as a whole.

Currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

For the year ended 31 March 2019

FINANCIAL REVIEW

Consolidated results

For the year ended 31 March 2019, the Group recorded revenue of approximately HK\$81.4 million compared to approximately HK\$81.3 million for the last financial year, representing a slight increase of about 0.1%, and loss for the year ended 31 March 2019 of approximately HK\$15.0 million compared to approximately HK\$13.4 million for the last financial year, representing an increase of about 11.9%. If the Group's last year net loss excluded the one-off net gain of HK\$58.2 million attributable to the completion of disposal of subsidiaries of the Company, the net loss would be HK\$61.6 million ("**Adjusted Net Loss**"). By comparing this year's net loss and last year's Adjusted Net Loss, it represented a significant decrease of approximately HK\$46.6 million or 75.7%. This improvement of the financial performance was primarily resulted from 1) completion of disposal of loss-making subsidiaries in March 2018, 2) reversal of provision for financial guarantee and 3) collective efforts by the management in a series of cost cutting measures.

BUSINESS REVIEW

Exhibition-related business

China Resources Advertising & Exhibition Company Limited, a direct wholly-owned subsidiary of the Company (together with its subsidiaries, the "**CRA Group**") is principally engaged in exhibition-related business. The CRA Group has acted as an organizer and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20 years of relationship with the Hong Kong Trade Development Council ("**HKTDC**") and has become one of the major agents organising trade fairs for PRC groups whilst most of which were co-organised with the HKTDC. The clients of the CRA Group are primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in the PRC. For the year ended 31 March 2019, this business segment recorded revenue of approximately HK\$26.0 million compared to approximately HK\$39.4 million for the last financial year, representing a decrease of about 34.0%. The drop in revenue was mainly due to the decrease in number of events participants. The segment loss for the financial year of approximately HK\$4.0 million compared to approximately HK\$2.7 million for the last financial year, representing an increase of about 48.2%.

Property sub-leasing, development and investment business

For the year ended 31 March 2019, this business segment recorded revenue of approximately HK\$45.3 million compared to approximately HK\$35.8 million for the last financial year, representing an increase of about 26.5%, the increase in revenue was mainly resulted from: (i) the increase in rent for new tenants and renewal tenants in sub-leasing certain properties in Nanjing, PRC; and (ii) acquisition of a PRC company engaging in sub-leasing business in Shenzhen in October 2018, which contributed approximately HK\$5.5 million of revenue from the date of acquisition to 31 March 2019. This business segment recorded profit for the financial year of approximately HK\$6.6 million as compared to loss of approximately HK\$0.4 million for the last financial year, primarily attributable to improvement of financial result of the existing sub-leasing business in Nanjing, PRC.

FINANCIAL SERVICES BUSINESS**Money lending**

During the year, the Group conducted money lending business in Hong Kong and recognised interest income for approximately HK\$2.5 million during the year (2018: HK\$2.2 million). The Group will continue to explore opportunities prudently to develop this business sector but at the same time will maintain a balance and review its loan portfolio so as to control the risks of debt default.

Securities, futures and asset management

The Group was successfully granted Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) licenses by Securities and Futures Commission (“SFC”) in May 2019 and Type 2 (dealing in futures contracts) license by SFC in June 2019. By obtaining these licenses, the management consider this would enable the Group to further diversify its business within the financial services sector, and thereby provide viable business development opportunities to the Group.

Liquidity and financial resources

As at 31 March 2019, the Group had bank and other borrowings and convertible bonds in total of approximately HK\$126.6 million. As at 31 March 2018, the Group has bank borrowings, bills payables, and convertible bonds in total of approximately HK\$98.1 million. The gearing ratio of the Group as at 31 March 2019 was 6.4% (2018: N/A). Such ratio was calculated with reference to the bank and other borrowings, bills payables and convertible bonds, and deduction of cash and cash equivalents, over the Company's equity attributable to owners of the Company. As at 31 March 2019, the Group had net current assets of approximately HK\$79.7 million (2018: net current assets of approximately HK\$85.1 million). The current ratio of the Group as at 31 March 2019 was approximately 1.4 compared with 1.5 as at 31 March 2018.

The maturity profile of the Group's bank and other borrowings is set out as follows:

	2019	2018
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable		
Within one year	<u>43.6</u>	<u>30.0</u>

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. As at 31 March 2019, the Group's bank and other borrowings balance of approximately HK\$12.8 million was charged at a fixed interest rate, and approximately HK\$30.8 million was charged at a floating interest rate. As at 31 March 2018, all of the Group's bank borrowings balance was charged at a fixed interest rate. The bank and other borrowings carry effective interest rates ranged from 5.73% to 7.36% (2018: 5.8%).

On 15 August 2018, the Company entered into subscription agreements with certain independent individuals in relation to the placing of convertible bonds in an aggregate principal amount of HK\$42,031,080. For the year ended 31 March 2019, no such bonds had been converted to ordinary shares of the Company. The completion of issue of convertible bonds took place on 31 August 2018, please refer to the Company's announcement dated 31 August 2018 for details.

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2019, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

During the year ended 31 March 2019, the Group completed the following fund raising exercise to strengthen its financial position and raised the gross proceeds of approximately HK\$42.0 million, with the net proceeds of approximately HK\$41.8 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2019	Unutilised amount as at 31 March 2019
31 August 2018	Issue of convertible bonds in an aggregate principal amount of HK\$42,031,080	Approximately HK\$27.2 million for money lending business of the Group in Hong Kong	Nil	Approximately HK\$27.2 million
		Approximately HK\$14.6 million for general working capital of the Group	Approximately HK\$7.4 million	Approximately HK\$7.2 million

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2019	Unutilised amount as at 31 March 2019
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK\$46,341,960	Approximately HK\$32.1 million for potential acquisition	Nil	Approximately HK\$32.1 million
		Approximately HK\$14.0 million for general working capital of the Group	Approximately HK\$14.0 million	Nil

Charges

As at 31 March 2019, all of the bank and other borrowings of the Group in the total amount of HK\$43.6 million were secured by personal and corporate guarantees provided by Mr. Yang Lei, a director of certain subsidiaries of the Company, his spouse and a related company, which is beneficially owned by Mr. Yang Lei and his spouse (the “**Related Company**”) and certain assets of Mr. Yang Lei, his spouse and a related party.

On 13 September 2017, 南京垠坤投資實業有限公司 (“Nanjing Yinkun Investment Corporation Co. Ltd.*”) and 南京創意東八區科技有限責任公司 (“Nan Jing Chuang Yi Dong Ba Qu Technology Development Co., Ltd.*”), two indirect non-wholly owned subsidiaries of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB40 million provided to an independent third party from a financial institution in the PRC. The amount under the loan facility has been fully repaid during the year and accordingly, the guarantee arrangement was terminated.

Save as disclosed above, the Group did not have any charges on assets as at 31 March 2019.

* For identification purpose only

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities.

Emolument policy

As at 31 March 2019, the Group employed a total number of 98 (2018: 85) employees. The remuneration of the employees of the Group for continuing operations is amounted to approximately HK\$16.2 million for the year ended 31 March 2019 (2018: HK\$22.4 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses may be rewarded to the Directors and employees depending on the Group's operating results and their performance.

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the Director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

There was no significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2019.

On 21 May 2019, the Group has entered into an acquisition agreement with an independent third party in relation to the acquisition of 73% of the share equity of Shenzhen Jinfan Investment Development Co., Ltd.* (深圳市金帆投資發展有限公司) at a cash consideration of RMB40 million. This transaction is still pending for completion. Details of the transaction were disclosed in the Company's announcement dated 21 May 2019.

* For identification purpose only

Outlook

China continued to advance its industrialisation and urbanisation, and deepen the supply-side reform. As the recurrent intensification of the Sino-US trade war may become a normalised phenomenon and exports to the United States may continue to weaken, economic development will be under pressure. However, driven by “The Belt and Road Initiative” and other favorable policies, domestic demand promotion, economic development structure adjustment and other measures to promote high quality economic development will remain as the dominant trend. Therefore, the Directors expect the business environment to remain challenging, but are cautiously optimistic towards the overall outlook of the Group.

The management team and Board of Directors are highly experienced in the real estate development industry in China and possess significant resources and networks in China which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment business sector. The Group has continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position.

The Group is working towards attaining a sustainable growth, and at the same time the Group is also continuously exploring and identifying other suitable investment opportunities (if any) to enhance its earning potential so as to enhance shareholder value as a whole.

Currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

For the year ended 31 March 2020

FINANCIAL REVIEW

Consolidated results

For the year ended 31 March 2020, the Group recorded revenue of approximately HK\$78.4 million compared to approximately HK\$81.4 million for the last financial year, representing a decrease of about 3.7%, and loss for the year ended 31 March 2020 of approximately HK\$33.7 million compared to approximately HK\$15.0 million for the last financial year, representing an increase of about 124.7%. The significant increase in loss was primarily resulted from (i) fair value loss on investment properties of approximately HK\$24.3 million after adoption of HKFRS 16 Lease and, (ii) provision for financial guarantee of approximately HK\$20.6 million.

BUSINESS REVIEW

Exhibition-related business

China Resources Advertising & Exhibition Company Limited, a direct wholly-owned subsidiary of the Company (together with its subsidiaries, the “**CRA Group**”) is principally engaged in exhibition-related business. The CRA Group has acted as an organiser and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20 years of relationship with the Hong Kong Trade Development Council (“**HKTDC**”) and has become one of the major agents organising trade fairs for PRC groups whilst most of which were co-organised with the HKTDC. The clients of the CRA Group are primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in the PRC. For the year ended 31 March 2020, this business segment recorded revenue of approximately HK\$12.3 million compared to approximately HK\$26.0 million for the last financial year, representing a decrease of about 52.7%. The drop in revenue was mainly due to the adverse impact of the coronavirus disease 2019 (the “**COVID-19**”) pandemic on the exhibition industry. The segment recorded loss for the year ended 31 March 2020 of approximately HK\$2.9 million compared to loss of approximately HK\$4.0 million for the last financial year, representing a decrease of about 27.5%.

Property sub-leasing, development and investment business

For the year ended 31 March 2020, this business segment recorded revenue of approximately HK\$65.5 million compared to approximately HK\$45.3 million for the last financial year, representing an increase of about 44.6%, the increase in revenue was mainly resulted from: (i) the increase in rent for new tenants and renewal tenants in sub-leasing certain properties in Nanjing, PRC; and (ii) acquisition of a PRC company engaging in subleasing business in Shenzhen in October 2018, which contributed approximately HK\$14.7 million of revenue for the year ended 31 March 2020. This business segment recorded profit for the year ended 31 March 2020 of approximately HK\$11.0 million as compared to profit of approximately HK\$6.6 million for the last financial year, representing an increase of about 66.7%.

FINANCIAL SERVICES BUSINESS**Money lending**

During the year ended 31 March 2020, the Group conducted money lending business in Hong Kong and recognised interest income for approximately HK\$0.6 million (2019: HK\$2.5 million). The Group will continue to explore opportunities prudently to develop this business sector but at the same time will maintain a balance and review its loan portfolio so as to control the risks of debt default.

Securities, futures and asset management

The Group was successfully granted Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) licenses by Securities and Futures Commission (“SFC”) in May 2019 and Type 2 (dealing in futures contracts) license by SFC in June 2019. By obtaining these licenses, the management considers this would enable the Group to further diversify its business within the financial services sector, and thereby provide viable business development opportunities to the Group.

Liquidity and financial resources

As at 31 March 2020, the Group had bank and other borrowings, bills payables and convertible bonds in total of approximately HK\$178.7 million. As at 31 March 2019, the Group had bank borrowings and convertible bonds in total of approximately HK\$126.6 million. The gearing ratio of the Group as at 31 March 2020 was 28.1% (2019: 6.4%). Such ratio was calculated with reference to the bank and other borrowings, bills payables and convertible bonds, and deduction of cash and cash equivalents, over the Company's equity attributable to owners of the Company. As at 31 March 2020, the Group had net current assets of approximately HK\$54.7 million (2019: net current assets of approximately HK\$79.7 million). The current ratio of the Group as at 31 March 2020 was approximately 1.2 compared with 1.4 as at 31 March 2019.

The maturity profile of the Group's bank and other borrowings is set out as follows:

	2020	2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable		
Within one year	67.0	43.6
More than one year, but not exceeding two years	17.3	—
More than two years, but not exceeding three years	8.2	—
	<u> </u>	<u> </u>
Total	<u>92.5</u>	<u>43.6</u>

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. As at 31 March 2020, approximately HK\$54.7 million the Group's bank and other borrowings balance was charged at fixed rate, and approximately HK\$37.8 million charged at floating rate. The bank and other borrowings carry effective interest rates ranged from 4.15% to 8.23% (2019: 5.66% to 6.84%).

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2020, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

In prior years, the Group completed the following fund raising exercise to strengthen its financial position and raised the gross proceeds of approximately HK\$42.0 million, with the net proceeds of approximately HK\$41.8 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2020	Unutilised amount as at 31 March 2020
31 August 2018	Issue of convertible bonds in an aggregate principal amount of HK\$42,031,080	Approximately HK\$27.2 million for money lending business of the Group in Hong Kong	Nil	Approximately HK\$27.2 million was reserved to be used to provide additional resources for the expansion and development of the Group's money lending business when such expansion and development plan materialises
		Approximately HK\$14.6 million for general working capital of the Group	Approximately HK\$14.6 million was used for general working capital of the Group as intended	Nil

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2020	Unutilised amount as at 31 March 2020
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK\$46,341,960	Approximately HK\$32.1 million for potential acquisition	Nil	Approximately HK\$32.1 million was reserved to be used by the Group to acquire entire share capital of the Topper Genius Investments Limited (峰智投資有限公司), which indirectly hold 35% of the equity interest in Dongguan Huachuangwen Land Ltd* (東莞市華創文置地有限公司) through Topper Genius Investments Limited
		Approximately HK\$14.0 million for general working capital of the Group	Approximately HK\$14.0 million was used for general working capital of the Group as intended	Nil

* For identification purpose only

Charges

As at 31 March 2020, all of the bank and other borrowings of the Group in the total amount of approximately HK\$92.5 million were secured by personal and corporate guarantees provided by Mr. Yang Lei, a director of certain subsidiaries of the Company, his spouse and a related company, which is beneficially owned by Mr. Yang Lei and his spouse (the “**Related Company**”), a related party and the independent third party companies. Certain assets of Mr. Yang Lei, his spouse, a related party, the Related Company, the independent third party companies and investment properties of the Group with carrying amounts of approximately HK\$118.7 million were also pledged to secure the aforesaid bank and other borrowings of the Group.

On 3 September 2019, 南京垠坤投資實業有限公司 (Nanjing Yinkun Investment Corporation Co. Ltd.*), an indirect non-wholly owned subsidiary of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB100 million provided to an independent third party from a financial institution in the PRC. Such facility shall be matured in 36 months, RMB80 million and RMB20 million were drawn down in September 2019 and January 2020 respectively.

Save as disclosed above, the Group did not have any other charges on assets as at 31 March 2020.

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities.

Emolument policy

As at 31 March 2020, the Group employed a total number of 110 (2019: 98) employees. The remuneration of the employees of the Group is amounted to approximately HK\$21.8 million for the year ended 31 March 2020 (2019: HK\$16.2 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company’s operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses may be rewarded to the Directors and employees depending on the Group’s operating results and their performance.

* For identification purpose only

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the Director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

On 9 April 2020, the Company entered into the equity sale and purchase agreement with Mr. Chen Weiwu, the 53.8% shareholder of the Company, to acquire entire share capital of the Topper Genius Investments Limited (“**Target Company**”) and its subsidiaries (the “**Topper Group**”) (the “**Acquisition**”). Upon the completion of the Acquisition, the Company will indirectly hold 35% of the equity interest in the Dongguan Huachuangwen Land Ltd.* (東莞市華創文置地有限公司) (the “**Project Company**”) through the Target Company, thereby commencing its property development business in the PRC. The consideration of the Acquisition shall be settled by way of cash payment of HK\$36,861,538 (equivalent to approximately RMB33,544,000) and issue and allotment of 800,000,000 consideration shares of the Company. The Acquisition is not yet completed at the date of this report. Details of the Acquisition were disclosed in the Company’s announcement dated 9 April 2020 and the circular dated 22 June 2020, respectively.

Outlook

The outbreak of COVID-19 has resulted in major impact to businesses especially in exhibition segment and the future is challenging and unpredictable in global business environment. The pandemic has put forward higher requirements for the Group to review and perform in terms of its future strategy planning. Despite the challenges currently facing, the PRC economy has shown stable growth momentum, supported by the sustainable development and continuous improvement in the macro economy. As a result of the adverse impact of COVID-19, the Directors of the Group are expecting the businesses to remain cautious and will take appropriate measures as and when it is necessary to minimise the financial impact, meanwhile to also look for potential investment opportunities which could strengthen the financial profitability for the Group.

* For identification purpose only

The management team and the Board of Directors are made up of highly qualified and competent individuals who are experienced in the real estate development industry in PRC. The team possesses significant knowledge, resources and networks in China of which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment projects in the PRC.

The Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position and to meet its performance objectives. The Group is working towards attaining a sustainable growth whilst continuously exploring and diversifying other suitable investment opportunities (if any) to enhance the overall earning potential, and ultimately maximising the shareholder value.

Currency Risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The following is the text of a property valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuation as at 30 November 2020 of the Property to be acquired by the Group.

**APAC Asset Valuation and Consulting Limited**

5/F, Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong

Tel: (852) 2357 0059

Fax: (852) 2951 0799

The Directors
China Tangshang Holdings Limited
Unit 1201, 12/F.,
29 Austin Road,
Tsim Sha Tsui,
Hong Kong

25 January 2021

Dear Sirs/Madams,

**RE: BLOCK NOS. 12, 27, 52, 53, 56, 58, 59, 60, 61 AND 69, YARD NO. 109,
JINGHAI 3RD ROAD, BEIJING ECONOMIC AND TECHNOLOGY
DEVELOPMENT ZONE, DAXING DISTRICT, BEIJING, THE PEOPLE’S
REPUBLIC OF CHINA (THE “PROPERTY”)**

In accordance with the instructions from China Tangshang Holdings Limited (the “**Company**”) for us to value the Property situated in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out an inspection, made relevant enquiries 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 in their existing state as at 30 November 2020 (the “**Valuation date**”) for your internal reference purpose.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “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.

We are independent of the Company and our valuation is prepared in accordance with the “HKIS Valuation Standards 2017” published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the market without the benefit or burden of atypical financing, a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Property.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VALUATION METHODOLOGY

In valuing the Property, which is subject to various tenancy agreements, we have adopted the Income Capitalization Method. We have made reference to the comparable rental and capitalization rate evidences as available on the relevant market and, valued the Property on the basis of capitalization of the market rental incomes of the Property during the tenancy periods to be acquired by the Company, by the market capitalization rate. The market rent and market capitalization rate are arrived by the Market Approach.

TITLE AND ASSUMPTIONS

We have been provided with copies or extracts of title documents relating to the Property. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. In the course of our valuation, we have made reference to the PRC legal opinion prepared by the Company’s PRC legal adviser, China Commercial Law Firm, on the title to the Property. We have prepared our valuation on the assumption that the transferrable land use rights of the Property for a specific land use term at nominal land use fee have been granted to the owner and any land premium payable has already been fully settled.

SOURCES OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Property, tenancy agreements, floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspection of the Property was carried out by Ms. Huang Yan Jun (Bsc in Real Estate Management) in December 2020. We have inspected the exterior and, where possible, the interior of the Property. We have not inspected those parts of the Property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of

APAC Asset Valuation and Consulting Limited

Ken Wong

MHKIS, MCIREA, RPS (GP)

Director

Note: Mr. Ken Wong is a Registered Professional Surveyor in General Practice Division with over 20 years valuation experience on properties in Hong Kong and the PRC.

VALUATION REPORT

Property to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2020
Block nos. 12, 27, 52, 53, 56, 58, 59, 60, 61 and 69, Yard No. 109, Jinghai 3rd Road, Beijing Economic and Technology Development Zone, Daxing District, Beijing, the PRC	<p>Tianji Zhigu (天驥智谷, the “Development”) is situated on the northwestern corner of Jinghai 3rd Road and Kangding Street in Beijing Economic and Technology Development Zone, Daxing District of Beijing. Beijing Economic and Technology Development Zone is the only state-level economic and technological development zone in the capital of the PRC and has developed into the hub of high-technology research/ development and manufacturing.</p> <p>The Development is a large-scale industrial development with more than 60 blocks of low-rise and high-rise industrial/office buildings and was completed in three phases between 2013 to 2018.</p> <p>The Property comprises eight blocks of 5 to 7-storey office buildings, one block of dormitory building and one block of ancillary building of Phases II and III of the Development. According to the information provided, the Property has a total gross floor area of approximately 70,477.92 sq. m.</p> <p>The land use rights of the Property were granted for a land use term of 50 years commencing from 28 December 2010 and expiring on 27 December 2060 for industrial uses.</p>	As at the Valuation date, the Property was subject to various tenancy agreements and occupied as research center and ancillary office, dormitory and ancillary use. Please refer to note (3) below for the details of the tenancy agreements.	RMB532,300,000 (Please refer to note (3))

Note:

1. According to Building Ownership Certificate No. X Jing Fang Quan Zheng Kai Zi Di 037690 Hao (X京房權證開字第037690號) issued by Beijing Residential and Urban and Rural Construction Committee, 北京天安科創置業有限公司 (the “**Tianan Company**”) has obtained the building ownership of 33 blocks buildings in Yard No. 109, Jinghai 3rd Road, Beijing Economic and Technology Development Zone with a total gross floor area of 126,298.55 sq. m.. According to the note of the said Building Ownership Certificate, the building ownership of Block Nos. 13, 16, 28, 30, 31, 33, 34, 36, 37, 45, 46, 50 and 51 has been transferred to other parties.

Block Nos. 12 and 27 (portion of the Property) are included in the said Building Ownership Certificate.

2. According to Reality Title Certificate No. Jing (2018) Kai Bu Dong Chang Quan Di 0020232 Hao (京(2018)開不動產權第0020232號) issued by Beijing Planning and State Land Resources Administration Committee on 13 September 2018, the Tianan Company has obtained the title to Block Nos. 52 to 69 and 77 in Yard No. 109, Jinghai 3rd Road, Beijing Economic and Technology Development Zone with a total gross floor area of 108,132.23 sq. m. for a land use term commencing from 28 December 2010 and expiring on 27 December 2060 for industrial uses.
3. According to 13 tenancy agreements all entered into between the Tianan Company and 北京名創商業管理有限公司 (the “**Mingchuang Company**”) on 10 December 2020, the Tianan Company agreed to lease the Property to the Mingchuang Company with the salient terms summarized as below.

Block No.	Leased area (sq. m.)	Tenancy period	Rent (RMB/ day/ sq. m.) (inclusive of VAT of 5%)
12	3,504.38	18 February 2021 to 17 February 2031	1.47 for first year and 1.51 for second year, subject to an annual increment of 3% from the third year
27	4,828.52	18 February 2021 to 17 February 2031	1.54 for first year and 1.59 for second year, subject to an annual increment of 3% from the third year
52	15,740.00	18 February 2021 to 31 May 2037	1.53 for first three years, subject to an increment of 5% every three years from the fourth year
53	3,437.73	18 February 2021 to 17 February 2031	1.40 for first year and 1.44 for second year, subject to an annual increment of 3% from the third year
56	2,404.84	18 February 2021 to 17 February 2031	1.54 for first year and 1.59 for second year, subject to an annual increment of 3% from the third year
58	2,404.84	18 February 2021 to 17 February 2031	1.62 for first year and 1.67 for second year, subject to an annual increment of 3% from the third year
59	2,404.84	18 February 2021 to 17 February 2031	1.54 for first year and 1.59 for second year, subject to an annual increment of 3% from the third year
60	17,837.26	18 February 2021 to 17 February 2031	1.96 for first year and 2.02 for second year, subject to an annual increment of 3% from the third year
61	14,217.51*	18 February 2021 to 17 February 2031	1.96 for first year and 2.02 for second year, subject to an annual increment of 3% from the third year
69 (Room 101 and 102)	1,110.00	18 February 2021 to 17 February 2036	2.80 for first three years, subject to an increment of 5% every three years from the fourth year
69 (Room 108)	119.00	18 February 2021 to 17 February 2031	5.05 for first year and 5.20 for second year, subject to an annual increment of 3% from the third year
69 (Room 110)	199.00	18 February 2021 to 17 February 2031	5.05 for first year and 5.20 for second year, subject to an annual increment of 3% from the third year
69 (Level 2)	2,270.00	18 February 2021 to 17 February 2036	2.10 for first three years, subject to an increment of 5% every three years from the fourth year

* Excluded the gross floor area of Levels 1-3 of Block 61

As advised by the Company, Block Nos. 12, 27, 53, 56, 58, 59, 60 and 61 are for office, research and development uses, whilst Block No. 52 is for dormitory use and Block No. 69 is for ancillary use. Upon obtaining the written confirmation from the Tianan Company, the Mingchuang Company can sublet the Property to other parties.

The market value of the Property is based on the tenancy periods of the aforesaid thirteen tenancy agreements.

4. According to the PRC legal opinion on the title to the Property as provided by the Company:
- (i) Tianan Company legally owns the Property and is entitled to occupy, use, dispose of (including to lease) the Property legally;
 - (ii) Block No. 12 is subject to a mortgage in favour of Bank of Beijing Co., Ltd. (Zhongguancun Branch);
 - (iii) apart from Block No. 12, remaining portion of the Property is not subject to any mortgages; and
 - (iv) Mingchuang Company can use or obtain profit from the Property leased from Tianan Company.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

Long positions in the ordinary shares of the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Chen	Beneficial owner	800,000,000	34.65%
	Interest of controlled corporation	579,806,977 (Note)	25.11%

Note: These Shares are owned by Grand Nice which is wholly and beneficially owned by Mr. Chen. By virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), Mr. Chen is deemed to be interested in an aggregate of 1,379,806,977 Shares, representing approximately 59.76% of the issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions 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 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 deemed or taken to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests of the Directors and chief executive of the Company disclosed in the paragraph headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE” above, the following persons had interests or short position in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of the shareholding in the Company
Grand Nice (<i>Note 1</i>)	Beneficial owner	579,806,977	25.11%
Mr. Cheng Yang (<i>Note 2</i>)	Beneficial owner	76,180,000	3.30%
	Interest of the spouse	73,500	0.003%
China Resources National Corporation (“CRNC”) (<i>Note 3</i>)	Interest of controlled corporations	66,666,666	2.89%

Notes:

- (1) Grand Nice is wholly and beneficially owned by Mr. Chen who is an executive Director and the Chairman of the Company.
- (2) Mr. Cheng Yang personally owned 76,180,000 Shares of the Company and his wife, Ms. Bai Xue, owned 73,500 Shares of the Company.
- (3) To the best knowledge of the Directors, Commotra Company Limited is a wholly-owned subsidiary of China Resources (Holding) Company Limited, which is a wholly-owned subsidiary of CRC Bluesky Limited (“CRCB”), which is in turn wholly-owned by China Resources Co., Limited, which is in turn wholly owned by CRNC.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) The acquisition agreement entered into between Shenzhen Tangshang Industrial Park Management Co., Ltd., Shenzhen Jinqi Group Co., Ltd., Shenzhen Jinfan Investment Development Co., Ltd. (“**Shenzhen Jinfan**”), and Mr. Zeng PinLian on 21 May 2019 in relation to the sale and purchase of the 73% equity interest in Shenzhen Jinfan at the consideration of RMB40 million, details of which are set out in the announcement of the Company dated 21 May 2019;
- (b) The sale and purchase agreement entered into between Great Regal Limited, Mr. Li Jiexin and 855 Crown Property Investment Co., Ltd. (“**855 Crown property**”) on 5 September 2019 in relation to the sale and purchase of the 49% of the equity interest of 855 Crown Property at the consideration of US\$1, details of which are set out in the announcement of the Company dated 5 September 2019;
- (c) The guarantee agreement dated 3 September 2019 entered into by Nanjing Yinkun Investment Corporation in favour of Bank of Jiangsu in relation to the loan facility for the principal amount of up to RMB100,000,000 provided by Bank of Jiangsu to Nanjing Ruiyixiang Network Technology Co., Ltd., details of which are set out in the announcement of the Company dated 8 November 2019;
- (d) The lease contracts dated 27 December 2019 entered into between Beijing Mingchuang and BTIT in relation to Building Nos. 15, 32, 38, 40, 41, 54, 62 and 63, No. 109, Jinghaisanlu, Beijing Economic-Technological Development Area, Beijing, The PRC, details of which are set out in the announcement of the Company dated 27 December 2019;
- (e) The equity sale and purchase agreement dated 9 April 2020 entered into between the Company and Mr. Chen Weiwu in respect of the acquisition of the 10,000 shares of Topper Genius Investments Limited of US\$1 each, representing 100% of its issued share capital, by the Company from Mr. Chen Weiwu, details of which are set out in the announcement of the Company dated 9 April 2020;

- (f) the guarantee agreement dated 29 October 2020 entered into by Nanjing Yinkun in favour of Bank of Nanjing in relation to the loan facility for the principal amount of up to RMB40,000,000 provided by Bank of Nanjing to Nanjing Yinrui Wanjin Intelligent Technology Co., Ltd.* (南京垠瑞萬錦智能科技有限公司), details of which are set out in the announcement of the Company dated 29 October 2020;
- (g) the conditional sale and purchase agreement date 1 December 2020 and entered into between Boren Cultural and the Purchaser in relation to the Disposal, details of which are set out in the announcement of the Company dated 1 December 2020 and 8 December 2020; and
- (h) The Lease Contracts.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Group.

6. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)

7. DIRECTORS INTEREST IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules except that Mr. Chen is an ultimate beneficial owner of (i) BTIT, which is principally engaged in construction, property development and related business in the PRC; and (ii) a bare land in Dongguan, the PRC for residential use. As the Board is independent of the board of BTIT, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

* For identification purpose only

8. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 March 2020 (being the date to which the latest published audited consolidated 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 lease to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

9. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry and taking into account the existing bank balances and cash, internal resources, available credit facilities and the effect of the transaction, the Group will have sufficient working capital for its present requirements for a period of 12 months from the date of this circular.

10. EXPERTS AND CONSENTS

- (a) The following is the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	Qualification
Rainbow Capital	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
APAC Asset Valuation and Consulting Limited	Independent professional valuer
BDO Limited	Certified Public Accountants

- (b) As at the Latest Practicable Date, the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

- (c) The experts named above have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters of advice and references to their names in the form and context in which the respectively appear.
- (d) As at the Latest Practicable Date, the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up).

11. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is located at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Hung Hing Hung ("**Mr. Hung**"). Mr. Hung is a member of Hong Kong Institute of Certified Public Accountants.
- (f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong is located at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Hong Kong. from the date of this circular up to and including the date following on fourteenth day from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the written consent of each of the experts referred to in the section headed “Experts and Consents” in this appendix;
- (d) the annual reports of the Company for the three years ended 31 March 2018, 31 March 2019 and 31 March 2020;
- (e) the letter from the Board as set out in this circular;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 32 of this circular;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 33 to 46 of this circular;
- (h) the unaudited profit and loss statements of the Property, the text of which is set out in Appendix II to this circular;
- (i) the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;
- (j) the management discussion and analysis of the Group, the text of which is set out in Appendix IV to this circular;
- (k) the valuation report in relation to the Property, the text of which is set out in Appendix V to this circular;
- (l) the fair rent letter from APAC Asset Valuation and Consulting Limited; and
- (m) this circular.

NOTICE OF SGM



CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

NOTICE OF 2021 FIRST SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 first special general meeting (the “**Meeting**”) of China Tangshang Holdings Limited (the “**Company**”) will be held at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Hong Kong on Thursday, 18 February 2021 at 3:00 p.m. for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, pass the following resolution (with or without modification) as ordinary resolution of the Company:

1. “THAT

(a) the Lease Contracts dated 11 December 2020 (the “**Lease Contracts**”) entered into between Beijing Mingchuang Business Management Co., Ltd. (北京名創商業管理有限公司) (“**Beijing Mingchuang**”) and Beijing Tian’an Innovation Technology and Estates Limited (北京天安科創置業有限公司) (“**BTIT**”), pursuant to which Beijing Mingchuang has conditionally agreed to rent and BTIT has conditionally agreed to lease the following properties:

- (a) Building No. 12, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (b) Building No. 27, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (c) Building No. 52, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (d) Building No. 53, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing

NOTICE OF SGM

- (e) Building No. 56, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (f) Building No. 58, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (g) Building No. 59, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (h) Building No. 60, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (i) Building No. 61, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing
- (j) Rooms 101, 102, 108 and 110 on the first floor and the second floor of Building No. 69, No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing

and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.

- (b) Any one or more directors of the Company be and are hereby authorised to execute all documents and do all such things and take all such steps which, in his opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for the completion of the Lease Contracts and to agree to such variation, amendment or waiver in relation thereto.”

By Order of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 25 January 2021

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:

Unit 1201, 12/F.,
29 Austin Road,
Tsim Sha Tsui,
Hong Kong

Notes:

- (i) For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Tuesday, 16 February 2021 to Thursday, 18 February 2021 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 11 February 2021.
- (ii) A member entitled to attend and vote at the Meeting is entitled to appoint one proxy or, if he/she/it is a holder of two or more Shares may appoint more than one proxy to attend and vote instead of him/her/it. A proxy needs not be a member of the Company.
- (iii) Where there are joint holders of any Share, any one of such joint holder may vote at the Meeting, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that the vote of the senior holder 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 of the Company in respect of the joint holding.
- (iv) To be valid, the instrument appointing a proxy and 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 lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
- (v) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof if he/she/it so desires. If a member of the Company attends the Meeting after having deposited the form of proxy, his/her/its form of proxy will be deemed to have been revoked.
- (vi) If Typhoon Signal No.8 or above, or a "black" rainstorm warning is in effect any time after 11:00 a.m. on the date of the Meeting, the Meeting will be adjourned. The Company will post an announcement on the website of the Company at <http://www.ts674.com> and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.
- (vii) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolution set out in this Notice will be decided by poll at the meeting.

As at the date of this notice, the executive Directors are, Mr. Chen Weiwu (Chairman) and Mr. Zhou Houjie; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.