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Chuang's Consortium International Limited

(莊士機構國際有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 367)

**(1) MAJOR TRANSACTION:
PROPOSED DISPOSAL OF THE SALE SHARES AND
ASSIGNMENT OF THE SALE LOANS;
AND
(2) MAJOR TRANSACTION:
PROPOSED SUBSCRIPTION OF THE CONSIDERATION SHARES**

Capitalized terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 19 of this circular.

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DEFINITIONS

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

“Agreed Property Valuation”	the agreed property value for Project-HK of HK\$579 million and for Project-Kowloon of HK\$426 million
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday in Hong Kong or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business in Hong Kong throughout their normal business hours
“Central Treasure”	Central Treasure Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Vendor 1 as at the Latest Practicable Date
“Central Treasure Group”	Central Treasure and its subsidiaries
“Chuang’s China” or “Purchaser’s Guarantor”	Chuang’s China Investments Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 298). As at the Latest Practicable Date, Chuang’s China is owned as to approximately 60.71% by the Group
“Chuang’s China Board”	the board of directors of Chuang’s China
“Chuang’s China Group”	Chuang’s China and its subsidiaries
“Chuang’s China Independent Shareholder(s)”	shareholder(s) of Chuang’s China other than Profit Stability, Ms. Candy Chuang, and Mr. Lee, and their respective associates
“Chuang’s China Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of Chuang’s China
“Colliers”	Colliers International (Hong Kong) Limited, an independent valuer appointed by the Company to carry out the valuation of Project-HK and Project-Kowloon

DEFINITIONS

“Company” or “Vendors’ Guarantor”	Chuang’s Consortium International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 367)
“Completion”	completion of the Proposed Transaction in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion NAV”	comprising the sum of: <ul style="list-style-type: none">(i) the aggregate of all assets (excluding Project-HK and a receivable relating to stamp duty refund of approximately HK\$36.9 million) less the aggregate of all liabilities and provisions (excluding the Sale Loan (Central Treasure)) of the Central Treasure Group on the date of Completion; and(ii) the aggregate of all assets (excluding Project-Kowloon) less the aggregate of all liabilities and provisions (excluding the Sale Loan (Easy Success)) of Easy Success on the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of not more than HK\$586,000,000, payable by the Purchaser for the Sale Shares and the Sale Loans
“Consideration Shares”	a maximum number of 1,065,454,545 Chuang’s China Shares to be allotted and issued by Chuang’s China at the issue price of HK\$0.55 to Profit Stability, a direct wholly-owned subsidiary of the Company, upon Completion pursuant to the terms of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Easy Success”	Easy Success Enterprises Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Vendor 2 as at the Latest Practicable Date
“EHL”	Evergain Holdings Limited, which, as at the date of the Sale and Purchase Agreement, held 899,253,332 Shares, representing approximately 53.77% of the entire issued share capital of the Company at that time

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“GBP”	British Pound Sterling, the lawful currency of the United Kingdom
“GFA”	gross floor area
“Group”	the Company and its subsidiaries, including the Chuang’s China Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	29 June 2021, being the last trading day of the Chuang’s China Shares before the signing of the Sale and Purchase Agreement
“Latest Practicable Date”	18 August 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 (or such other day as may be agreed in writing between the Vendors and the Purchaser)
“Mr. Alan Chuang”	Mr. Alan Chuang Shaw Swee, the controlling shareholder of the Company
“Mr. Lee”	Mr. Lee Sai Wai, a brother-in-law of Mr. Alan Chuang and a director of certain subsidiaries of the Company and Chuang’s China
“Ms. Candy Chuang”	Mrs. Candy Kotewall Chuang Ka Wai, a daughter of Mr. Alan Chuang and an executive director of the Company
“PRC”	the People’s Republic of China
“Profit Stability”	Profit Stability Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Project-HK”	the property development project located at Nos. 16, 18 and 20 Gage Street, Hong Kong

DEFINITIONS

“Project-Kowloon”	Posco Building, located at No. 165 Un Chau Street, Kowloon, Hong Kong
“Proposed Conditional Chuang’s China Special Cash Distribution”	the cash distribution of 8.5 HK cents per Chuang’s China Share declared by the Chuang’s China Board, the payment of which is conditional upon the Completion of the Proposed Transaction
“Proposed Transaction”	the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate
“Purchaser”	Chuang’s China Realty Limited, a company incorporated in Bermuda with limited liability and a direct wholly-owned subsidiary of Chuang’s China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 29 June 2021 entered into amongst the Vendors, the Purchaser, the Company and Chuang’s China in relation to the sale and purchase of the Sale Shares and the Sale Loans
“Sale Loan (Central Treasure)”	the entire amount of the loan or indebtedness owing by the Central Treasure Group to Vendor 1 on the date of Completion
“Sale Loan (Easy Success)”	the entire amount of the loan or indebtedness owing by Easy Success to Vendor 2 on the date of Completion
“Sale Loans”	comprising the Sale Loan (Central Treasure) and the Sale Loan (Easy Success)
“Sale Shares”	1 share of Central Treasure and 2 shares of Easy Success, representing the entire issued share capital of each of the Target Companies
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.25 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Specific Mandate”	a specific mandate to be sought at the special general meeting of Chuang’s China for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Central Treasure and Easy Success
“Vendor 1”	Energy Hero Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor 2”	Fanus Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendors”	Vendor 1 and Vendor 2
“sq. ft.”	square feet
“sq. m.”	square metres
“%”	percentage or per centum



Chuang's Consortium International Limited

(莊士機構國際有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 367)

Executive Directors:

Mr. Albert Chuang Ka Pun J.P.

(Chairman and Managing Director)

Mr. Richard Hung Ting Ho (Vice Chairman)

Mr. Edwin Chuang Ka Fung

(Deputy Managing Director)

Miss Ann Li Mee Sum

Mrs. Candy Kotewall Chuang Ka Wai

Mr. Geoffrey Chuang Ka Kam

Mr. Chan Chun Man

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal office in Hong Kong:

25th Floor

Alexandra House

18 Chater Road

Central

Hong Kong

Independent non-executive Directors:

Mr. Abraham Shek Lai Him G.B.S., J.P.

Mr. Fong Shing Kwong

Mr. Yau Chi Ming

Mr. David Chu Yu Lin S.B.S., J.P.

Mr. Tony Tse Wai Chuen B.B.S., J.P.

20 August 2021

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION:
PROPOSED DISPOSAL OF THE SALE SHARES AND
ASSIGNMENT OF THE SALE LOANS;
AND**

**(2) MAJOR TRANSACTION:
PROPOSED SUBSCRIPTION OF THE CONSIDERATION SHARES**

INTRODUCTION

On 29 June 2021 (after trading hours), the Board announced in a joint announcement with Chuang's China that, the Vendors (indirect wholly-owned subsidiaries of the Company), the Purchaser (a direct wholly-owned subsidiary of Chuang's China), the Company and Chuang's China entered into the Sale and Purchase Agreement, pursuant to which the Vendors have

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conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to acquire and accept the assignment of, the Sale Shares (being the entire issued share capital of each of the Target Companies) and the Sale Loans.

The purpose of this circular is to provide you with, amongst other things, (i) further information on the Proposed Transaction; (ii) the valuation report of Project-HK and Project-Kowloon; and (iii) other information as required under the Listing Rules.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follow:

Date

29 June 2021 (after trading hours)

Parties

Vendors:	Energy Hero Limited and Fanus Limited, both are indirect wholly-owned subsidiaries of the Company
Purchaser:	Chuang's China Realty Limited, a direct wholly-owned subsidiary of Chuang's China
Vendors' Guarantor:	Chuang's Consortium International Limited
Purchaser's Guarantor:	Chuang's China Investments Limited

The Company and Chuang's China are parties to the Sale and Purchase Agreement guaranteeing the performance of the Vendors and the Purchaser respectively under the Sale and Purchase Agreement.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to acquire and accept the assignment of, the Sale Shares and the Sale Loans free from encumbrances but together with all rights attached, accrued or accruing thereto as at the date of Completion and together with all dividends and distributions declared, made or paid or agreed to be made or paid thereon or in respect thereof on or after the date of Completion.

Consideration

The Consideration for the Sale Shares and the Sale Loans is estimated to be not more than HK\$586,000,000, which was determined after arm's length negotiations between the Vendors and the Purchaser, and is arrived at based on the aggregate of (i) the Agreed Property Valuation of Project-HK and Project-Kowloon in the aggregate amount of approximately HK\$1,005 million; and (ii) the Completion NAV of the Target Companies, estimated to be not less than approximately HK\$419 million in net liabilities with reference to the financial

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position of the Central Treasure Group and Easy Success as at 31 March 2021 and taking into account the ordinary transactions (actual and expected) from 31 March 2021 up to the date of Completion. Thus, the Consideration, which is estimated to be not more than HK\$586 million, would be calculated as Agreed Property Valuation less the absolute amount of the Completion NAV since the Completion NAV is less than zero. The exact amount of the Consideration will be determined as at the date of Completion. As at 31 March 2021, the book value of the Sale Loan (Central Treasure) and Sale Loan (Easy Success) (aggregate with other loans and amounts due to the Group) was approximately HK\$585.4 million and HK\$129.7 million, respectively.

The Agreed Property Valuation for Project-HK was HK\$579 million and that for Project-Kowloon was HK\$426 million. The Agreed Property Valuation was determined after arm's length negotiations between the Vendors and the Purchaser by reference to, among others, market values of comparable properties and the respective market valuation from independent valuers instructed by the Company and Chuang's China respectively. The market valuation as at 31 May 2021 as appraised by Colliers, an independent valuer appointed by the Company, based on market approach was HK\$579 million for Project-HK and HK\$426 million for Project-Kowloon, which is the same as the Agreed Property Valuation. The market valuation as at 31 May 2021 as appraised by Knight Frank Petty Limited, an independent valuer appointed by Chuang's China, based on market approach was HK\$585 million for Project-HK and HK\$435 million for Project-Kowloon, representing a respective premium of about 1.0% for Project-HK and 2.1% for Project-Kowloon to the Agreed Property Valuation. For details of the market valuation as appraised by Colliers, please refer to the valuation report as set out in Appendix III to this circular.

In computation of the Completion NAV, the Vendors and the Purchaser agreed that as the transactions contemplated under the Sale and Purchase Agreement comprise the sale of Sale Shares instead of sale of properties, the stamp duty refundable relating to Project-HK shall not be included as an asset to be acquired by the Purchaser. The nature of the stamp duty is the historical buyer's stamp duty paid by the Central Treasure Group upon acquisition of Project-HK, and the Central Treasure Group has already applied to the Inland Revenue Department for the refund which is expected to be settled by the end of 2021. Upon receipt of such stamp duty refund after Completion, the Purchaser will procure the Central Treasure Group to return the amount received to Vendor 1.

The Consideration shall be satisfied entirely by way of allotment and issue of Consideration Shares by Chuang's China to Profit Stability, a direct wholly-owned subsidiary of the Company, at the issue price of HK\$0.55 per Consideration Share. With reference to the Consideration of not more than HK\$586,000,000, it is expected that not more than 1,065,454,545 Consideration Shares will be issued.

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Conditions precedent

Completion is conditional upon:

- (i) the Shareholders approving the Proposed Transaction;
- (ii) the Chuang's China Independent Shareholders approving the Proposed Transaction;
- (iii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (iv) the Chuang's China Shares remaining listed and traded on the Stock Exchange at all times prior to and on Completion, save for any trading halt or suspension not exceeding seven consecutive Business Days in connection with the clearance by the Stock Exchange of the announcement to be issued in respect of, inter alia, the Proposed Transaction;
- (v) no indication being received on or before the date of Completion from the Stock Exchange to the effect that the listing of the Chuang's China Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Sale and Purchase Agreement or for any reason;
- (vi) the Central Treasure Group and Easy Success having good title to Project-HK and Project-Kowloon respectively;
- (vii) all statutory, governmental and regulatory obligations having been complied with and all regulatory, statutory and governmental consents and waivers necessary to give effect to the Completion having been obtained by the Vendors and the Purchaser; and
- (viii) the financing banks giving the necessary consents and waivers (if applicable) for the continuation of the bank borrowings to the Target Companies notwithstanding the Proposed Transaction and the release of the Company as the guarantor for the bank borrowings.

As at the date of the Sale and Purchase Agreement, written approval was obtained from EHL, which held approximately 53.77% of the entire issued share capital of the Company at that time, approving the Proposed Transaction. Accordingly, condition (i) was satisfied as at the date of the Sale and Purchase Agreement. For details of the shareholders' written approval, please refer to the section headed "Listing Rules Implications" below.

Pursuant to condition (viii), if any of the financing banks shall not agree to release the Company from its obligation under the guarantee of the bank borrowings to the Target Companies upon Completion, Chuang's China shall execute an indemnity in favor of the Company to indemnify it against all losses which it may suffer or incur after Completion by reason of the Company becoming liable for providing such guarantee. Thus the Purchaser may in its absolute discretion waive condition (viii).

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The remaining conditions cannot be waived by the Vendors and the Purchaser. If any of the conditions precedent of the Sale and Purchase Agreement is not fulfilled or waived on or before the Long Stop Date, the rights and obligations of the parties under the Sale and Purchase Agreement shall lapse and be of no further effect.

As at the Latest Practicable Date, except for condition (i), none of the other conditions set forth above has been fulfilled or waived.

Completion

Completion shall take place on (i) the third Business Day (a) after the fulfillment or waiver (if applicable) of the conditions precedent under the Sale and Purchase Agreement or (b) after the record date of the Proposed Conditional Chuang's China Special Cash Distribution, whichever is later; or (ii) such other day as may be agreed in writing between the Vendors and the Purchaser.

Consideration Shares

A maximum of 1,065,454,545 Consideration Shares will be allotted and issued, representing approximately 45.4% of the existing issued share capital of Chuang's China as at the Latest Practicable Date and approximately 31.2% of the issued share capital of Chuang's China as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of Chuang's China from the Latest Practicable Date to the date of Completion).

The issue price of HK\$0.55 per Consideration Share represents:

- (i) a premium of approximately 17.0% to the closing price of HK\$0.470 per Chuang's China Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 18.5% to the average closing price of HK\$0.464 per Chuang's China Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day;
- (iii) a premium of approximately 19.3% to the average closing price of HK\$0.461 per Chuang's China Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day;
- (iv) a premium of approximately 19.8% to the average closing price of HK\$0.459 per Chuang's China Share as quoted on the Stock Exchange for the last thirty consecutive trading days prior to and including the Last Trading Day;
- (v) a premium of approximately 34.1% to the 52-week average closing price of HK\$0.410 per Chuang's China Share as quoted on the Stock Exchange prior to and including the Last Trading Day;

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- (vi) a premium of approximately 17.0% to the closing price of HK\$0.470 per Chuang's China Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 70.7% to the latest audited net asset value per Chuang's China Share as at 31 March 2021, being HK\$1.88 per Chuang's China Share.

The issue price of HK\$0.55 per Consideration Share was arrived at after arm's length negotiation between the Vendors and the Purchaser with reference to, among others, the then prevailing market prices of the Chuang's China Shares, the last recorded closing prices that traded above HK\$0.55 per Chuang's China Share being in June 2018, and the then market conditions. Despite the fact that the issue price of HK\$0.55 is at premium ranging from 17.0% to 34.1% to the average closing prices as stated hereinabove, it represented a discount of approximately 70.7% to the latest audited net asset value per Chuang's China Share as at 31 March 2021. Accordingly, the Directors consider that the allotment and issue of the Consideration Shares at such issue price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued by Chuang's China under the Specific Mandate proposed to be sought from the Chuang's China Independent Shareholders.

An application will be made by Chuang's China to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with the Chuang's China Shares in issue at the time of allotment and issue of the Consideration Shares, except that the holder(s) of the Consideration Shares shall not be entitled to receive the Proposed Conditional Chuang's China Special Cash Distribution and any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the Consideration Shares.

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EFFECTS OF THE PROPOSED TRANSACTION ON THE SHAREHOLDING STRUCTURE OF CHUANG'S CHINA

The following table illustrates the shareholding structure of Chuang's China (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the maximum number of Consideration Shares (assuming there is no other change in the issued share capital of Chuang's China from the Latest Practicable Date to the date of Completion):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the maximum number of Consideration Shares	
	No. of Chuang's China Shares	Approximate %	No. of Chuang's China Shares	Approximate %
Shareholders				
The Company (Note 1)	1,426,074,923	60.71	2,491,529,468	72.97
Ms. Candy Chuang (Note 2)	1,255,004	0.05	1,255,004	0.04
Mr. Lee (Note 3)	870,879	0.04	870,879	0.03
Mr. Sunny Pang Chun Kit (Note 4)	<u>930,000</u>	<u>0.04</u>	<u>930,000</u>	<u>0.03</u>
Subtotal	1,429,130,806	60.84	2,494,585,351	73.07
Public shareholders	<u>919,704,510</u>	<u>39.16</u>	<u>919,704,510</u>	<u>26.93</u>
Total	<u><u>2,348,835,316</u></u>	<u><u>100.00</u></u>	<u><u>3,414,289,861</u></u>	<u><u>100.00</u></u>

Note 1: The Company's interest in Chuang's China is and will be held through Profit Stability, a direct wholly-owned subsidiary of the Company.

Note 2: Ms. Candy Chuang is an executive director of the Company.

Note 3: Mr. Lee is a director of certain subsidiaries of the Company and Chuang's China.

Note 4: Mr. Sunny Pang Chun Kit retired and ceased to act as an executive director of Chuang's China with effect from 30 July 2021.

INFORMATION OF THE VENDORS AND THE COMPANY

Energy Hero Limited is incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal activity is investment holding.

Fanus Limited is incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal activity is investment holding.

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 367).

LETTER FROM THE BOARD

The Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, manufacturing, sales and trading of goods and merchandises, securities investment and trading and money lending business.

As at the Latest Practicable Date, the Group held approximately 60.71% of the total issued share capital of Chuang's China.

INFORMATION OF THE PURCHASER AND CHUANG'S CHINA

Chuang's China Realty Limited is incorporated in Bermuda with limited liability and is a direct wholly-owned subsidiary of Chuang's China. Its principal activity is investment holding.

Chuang's China is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 298). Chuang's China is an indirect non-wholly-owned subsidiary of, and owned as to approximately 60.71% by, the Group as at the Latest Practicable Date.

The Chuang's China Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, sales of goods and merchandises (including art pieces), and securities investment and trading.

Set out below is the financial summary of the Chuang's China Group for the financial year ended 31 March 2021 as extracted from the annual report of Chuang's China for the financial year ended 31 March 2021:

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Revenues	177,523	1,779,654
(Loss)/profit before taxation	(160,055)	401,001
(Loss)/profit after taxation	(189,895)	415,399
(Loss)/profit attributable to equity holders	(192,355)	419,039

Based on the annual report of Chuang's China for the financial year ended 31 March 2021, the audited consolidated net asset value attributable to equity holders of Chuang's China as at 31 March 2021 was approximately HK\$4,419.8 million.

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INFORMATION OF THE TARGET COMPANIES, PROJECT-HK AND PROJECT-KOWLOON

Central Treasure and Project-HK

Central Treasure is a company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Vendor 1. The Central Treasure Group is principally engaged in property investment and development and its principal asset is Project-HK, being the property development project located at Nos. 16–20 Gage Street in Central. The Group has kicked off the acquisition of the individual units of Nos. 16–20 Gage Street on a piecemeal basis through private treaties with separate sellers over a period of time. With years of effort, the Group has finally acquired full ownership of No. 20 Gage Street, and upto about 94.4% and 87.5% ownership of No. 16 and No. 18 Gage Street respectively through private treaties in 2019. With the application for the compulsory acquisition of the remaining 3 units of Nos. 16–18 Gage Street in March 2019, which was approved by the Lands Tribunal of Hong Kong in May 2020, the auction was carried out in mid-July 2020. The compulsory acquisition was subsequently completed in August 2020. The Group has therefore unified the ownership of Nos. 16–20 Gage Street and successfully consolidated this project. The total acquisition cost incurred by the Group (excluding the stamp duty refundable of about HK\$36.9 million) is about HK\$560.4 million.

Project-HK has a total site area of 3,591 sq. ft., upon which two 6-storey buildings were erected. Demolition works of these two buildings have commenced and are expected to be completed in the third quarter of 2021. The redevelopment scheme and building plans for Project-HK have been approved by the Buildings Department of Hong Kong. It is currently planned that a residential/commercial building with GFA of about 35,396 sq. ft. will be developed with reference to the latest building plan. If the Purchaser so determines after Completion, foundation work will commence right away.

Set out below is the financial summary of the Central Treasure Group after adjustments for intra-group transactions with the Group:

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6,499	1,667
Loss before taxation	(744)	(2,419)
Loss after taxation	(744)	(2,419)

The consolidated net asset value of the Central Treasure Group (not taking into account the shareholder's loan and other amounts due to the Group with the aggregate amount of approximately HK\$585.4 million, and excluding the stamp duty refundable of approximately HK\$36.9 million) as at 31 March 2021 was approximately HK\$392.8 million. The aggregate book value of bank borrowings of the Central Treasure Group was approximately HK\$170.7 million as at 31 March 2021.

LETTER FROM THE BOARD

As at 31 March 2021, Project-HK was stated at cost of about HK\$565.0 million in the consolidated financial statements of the Central Treasure Group. The market valuation as at 31 May 2021 as appraised by Colliers, an independent valuer appointed by the Company, based on market approach was HK\$579 million for Project-HK. Further details on the valuation of Project-HK are set out in Appendix III to this circular.

Easy Success and Project-Kowloon

Easy Success is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Vendor 2. Easy Success is principally engaged in property investment and its principal asset is Project-Kowloon, named as Posco Building. Project-Kowloon was acquired by the Group in July 2017 with total cost of about HK\$330.0 million.

Project-Kowloon is an industrial/office building located near the Cheung Sha Wan Mass Transit Railway Station with a convenient transportation network. It is located within 1.5 km to the Nam Cheong's landmark shopping mall known as the V-Walk. It has a site area of about 3,920 sq. ft. upon which a 13-storey building was erected providing a total GFA of about 47,258 sq. ft.. Project-Kowloon is currently about 90% leased to independent third parties, with the longest tenure expiring in February 2024. All of the tenancy agreements contain a break clause enabling Easy Success as the landlord to serve a 3-month notice to terminate these tenancies in the event of redevelopment of the property by Easy Success. Building plans to redevelop Project-Kowloon into a residential/commercial property with a total GFA of about 35,280 sq. ft. have been approved by the Buildings Department of Hong Kong.

Set out below is the financial summary of Easy Success after adjustments for intra-group transactions with the Group:

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	8,171	8,675
Loss before taxation (<i>note</i>)	(23,542)	(5,104)
Loss after taxation (<i>note</i>)	(23,542)	(5,104)

Note: These amounts included the fair value loss on revaluation of Project-Kowloon of HK\$20 million and HK\$4 million for the financial year ended 31 March 2020 and 2021 respectively.

The net asset value of Easy Success (not taking into account the shareholder's loan and other amounts due to the Group with the aggregate amount of approximately HK\$129.7 million) as at 31 March 2021 was approximately HK\$174.2 million. The book value of bank borrowings of Easy Success was approximately HK\$251.8 million as at 31 March 2021.

LETTER FROM THE BOARD

As at 31 March 2021, Project-Kowloon was stated at fair value of HK\$426.0 million in the financial statements of Easy Success. The market valuation as at 31 May 2021 as appraised by Colliers, an independent valuer appointed by the Company, based on market approach was HK\$426 million for Project-Kowloon. Further details on the valuation of Project-Kowloon are set out in Appendix III to this circular.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

The Proposed Transaction in effect will reduce the Group's holdings in the Target Companies from 100% (wholly-owned subsidiaries) to about 72.97% (non-wholly-owned subsidiaries) and increase the Group's holdings in Chuang's China, a listed subsidiary, from about 60.71% to a maximum of about 72.97%. This forms part of the Company's strategy to continuously review its group structure with a view to further create value for the Shareholders. Furthermore, the Proposed Transaction will also support the continuous growth of the Chuang's China Group, which is also beneficial to the long term development of the Group.

Having taken into account the above factors, the Directors (including the independent non-executive Directors) consider that the Proposed Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION TO THE GROUP

Upon Completion, the Central Treasure Group and Easy Success will become indirect wholly-owned subsidiaries of Chuang's China and will no longer be wholly-owned by the Company, but will remain as indirect non-wholly-owned subsidiaries of the Company through the Company's shareholding in Chuang's China. The Proposed Transaction in effect will reduce the Group's holdings in each of the Central Treasure Group and Easy Success from 100% (wholly-owned subsidiaries) to about 72.97% (non-wholly-owned subsidiaries). Thus their assets, liabilities and results will continue to be consolidated into the financial statements of the Group.

Earnings

Proposed disposal

Based on the book value for Project-Kowloon of HK\$426 million as at 31 March 2021, and the market valuation as at 31 May 2021 as appraised by Knight Frank Petty Limited, an independent valuer appointed by Chuang's China, of HK\$435 million for Project-Kowloon, it is expected that the completion of the Proposed Transaction will generate a net gain of approximately HK\$6.6 million to the Group (mainly representing fair value gain of Project-Kowloon of HK\$9 million after deducting non-controlling interests portion, whereas the expenses in relation to the Proposed Transaction, after deducting non-controlling interests portion, would be recorded directly in reserves). However, the exact amount can only be determined at Completion. There would be no effect for Project-HK since it would continue to be recorded at cost in the consolidated financial statements of the Group.

LETTER FROM THE BOARD

Proposed subscription of the Consideration Shares

Since the Group's shareholding in Chuang's China is expected to increase from approximately 60.71% as at the Latest Practicable Date to a maximum of approximately 72.97% after Completion, any sharing of the profit/loss of the Chuang's China Group by the Group will be increased from approximately 60.71% as at the Latest Practicable Date to a maximum of approximately 72.97% accordingly.

Assets and liabilities

According to the annual report of the Company for the year ended 31 March 2021, the audited consolidated total assets and total liabilities of the Group as at 31 March 2021 were approximately HK\$21,517.0 million and HK\$8,444.1 million, respectively. Based on the "Unaudited pro forma financial information of the Group" as set out in Appendix II to this circular, and taken into account the basis and assumptions in preparing such unaudited pro forma financial information which had considered the effect of the Proposed Conditional Chuang's China Special Cash Distribution, but did not include the effect of the disposal of the subsidiaries that held the property project in Panyu, the PRC which was completed on 14 May 2021, assuming Completion had taken place on 31 March 2021, the unaudited pro forma consolidated total assets and total liabilities of the Group as at 31 March 2021 would be approximately HK\$21,432.8 million and HK\$8,444.1 million respectively on a pro forma basis. Accordingly, the unaudited pro forma total equity of the Group as at 31 March 2021 would be decreased by approximately HK\$84.2 million to approximately HK\$12,988.7 million on a pro forma basis, which was mainly resulted from the expenses incurred in relation to the Proposed Transaction and the payment of the Proposed Conditional Chuang's China Special Cash Distribution. Furthermore, the Group is expected to record a credit transfer from non-controlling interests to reserves of approximately HK\$368.7 million on a pro forma basis. Such transfer represents the difference between the value of the Consideration and the increased sharing of the net assets of Chuang's China by the equity holders of the Company after receiving the Consideration Shares by the Group and has no impact on the total equity of the Group. However, the exact amounts aforesaid can only be determined at Completion. Further details are set out in Appendix II to this circular.

General

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among other things, the financial position of the Central Treasure Group, Easy Success and the Chuang's China Group upon Completion, and is subject to audit.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in the Listing Rules) regarding the disposal of the Target Companies under the Proposed Transaction are more than 25% but less than 75% for the Company, it constitutes a major transaction of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As one or more applicable percentage ratios (as defined in the Listing Rules) regarding the subscription and allotment of the Consideration Shares under the Proposed Transaction are more than 25% but less than 100% for the Company, it constitutes a major transaction of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, none of the Shareholders has a material interest in the Proposed Transaction. Accordingly, no Shareholders will be required to abstain from voting if the Company were to convene a general meeting for approving the Proposed Transaction. Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, as at the date of the Sale and Purchase Agreement, shareholders' written approval was obtained from EHL, which held 899,253,332 Shares at that time, representing approximately 53.77% of the entire issued share capital of the Company, approving the Proposed Transaction. EHL is owned as to 60% by Mr. Alan Chuang, the honorary chairman of the Company, and 10% each by Mr. Albert Chuang Ka Pun, Ms. Candy Chuang, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam. Each of Mr. Albert Chuang Ka Pun, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam is an executive director of both the Company and Chuang's China, whereas Ms. Candy Chuang is an executive director of the Company. As at the date of the Sale and Purchase Agreement and the Latest Practicable Date, (i) other than through her interest in EHL, Ms. Candy Chuang was interested in approximately 0.05% of the issued share capital of Chuang's China; and (ii) no other shareholders of EHL had any direct interests in Chuang's China. Ms. Candy Chuang's interests in Chuang's China are immaterial as compared to EHL's interests in the Company and EHL's interests in the Proposed Transaction aligns with the interest of the other Shareholders. Accordingly, EHL does not have a material interest in the Proposed Transaction and will not be required to abstain from voting. In addition, Mr. Lee, who is interested in approximately 4.98% of the issued share capital of the Company through the interest of his spouse, Madam Chuang Shau Har, and himself and, other than through the aforementioned interests in the Company, is interested in approximately 0.04% of the issued share capital of Chuang's China. Mr. Lee's interests in Chuang's China are immaterial as compared to the interests of his spouse and himself in the Company and Mr. Lee's and his spouse's interests in the Proposed Transaction align with the interest of the other Shareholders. Accordingly, Mr. Lee and his spouse do not have a material interest in the Proposed Transaction and are not required to abstain from voting. As such, the Company is not required to convene a special general meeting for this purpose.

LETTER FROM THE BOARD

As (i) each of Mr. Albert Chuang Ka Pun, Mr. Edwin Chuang Ka Fung, Miss Ann Li Mee Sum and Mr. Geoffrey Chuang Ka Kam is an executive director of Chuang's China, (ii) Ms. Candy Chuang is the spouse of Mr. Neville Charles Kotewall, who is an executive director of Chuang's China and other than through her interest in EHL, Ms. Candy Chuang was interested in approximately 0.05% of the issued share capital of Chuang's China, and (iii) Mr. Abraham Shek Lai Him is an independent non-executive director of Chuang's China, each of them has abstained from voting on the board resolution(s) in the board meeting of the Company in relation to the Proposed Transaction. Save as disclosed above, no Director had a material interest in the Proposed Transaction and thus was required to abstain from voting on the board resolution(s) in the board meeting of the Company for considering and approving the Proposed Transaction.

ADDITIONAL INFORMATION

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

By order of the Board of
Chuang's Consortium International Limited
Richard Hung Ting Ho
Vice Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 March 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the financial years ended 31 March 2019 (pages 128 to 236), 31 March 2020 (pages 134 to 233) and 31 March 2021 (pages 138 to 238), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.chuang-consortium.com and website of the Stock Exchange at www.hkexnews.hk through the links below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0729/ltm20190729239.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0729/2020072900497.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0728/2021072800409.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding indebtedness of approximately HK\$7,926.1 million, comprising bank borrowings of approximately HK\$7,810.3 million of which approximately HK\$6,375.0 million was secured by fixed charges on certain assets of the Group (including property, plant and equipment, investment properties, right-of-use assets, properties for/under development, properties for sale and financial assets at fair value through profit or loss) and approximately HK\$1,435.3 million was unsecured, unsecured borrowings from non-controlling shareholders of approximately HK\$58.0 million and unsecured lease liabilities of approximately HK\$57.8 million.

As at 30 June 2021, the Company provided a guarantee of approximately HK\$422.0 million for the banking facilities granted to the joint ventures, and the Group provided guarantee of approximately HK\$2.6 million to banks for mortgage loans made by the banks to the purchasers of properties sold by the Group in the PRC.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 June 2021, the Group did not have any other debt securities issued and outstanding or authorized or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchase commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds, the existing borrowings, the currently available facilities, and the effects of the Proposed Transaction, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking forward, with the rollout of the Covid-19 vaccine, economic outlook in the PRC, Hong Kong and worldwide will gradually improve. The Group will monitor the situation closely and will take appropriate steps to grasp opportunities ahead. In the coming financial year, the Group will follow up the pre-sale progress of ONE SOHO at Mongkok. The Group will continue to monitor the progress of the construction works of the projects, and seek opportunities to replenish the land bank. The Group will also constantly review and monitor the tenant status and refine the tenant mix of investment properties to enhance steady recurring rental income. The Group is confident that, with the implementation of the above strategies, the Group's financial position as well as the net debt to equity ratio will be improved, and further value can be created for the Shareholders.

6. VALUATION RECONCILIATION STATEMENT

Colliers, the independent valuer, has valued Project-HK and Project-Kowloon to be disposed of by the Group as at 31 May 2021. Texts of the letter and valuation particulars issued by the independent valuer are included in Appendix III to this circular.

The table below sets forth the reconciliation of the book value of Project-HK as at 31 March 2021 to the market value of Project-HK as at 31 May 2021 as included in the valuation report in Appendix III to this circular.

	<i>HK\$'000</i>
Book value of Project-HK as at 31 March 2021	564,953
Valuation surplus	<u>14,047</u>
Market value of Project-HK as at 31 May 2021 as set out in the valuation report in Appendix III to this circular	<u><u>579,000</u></u>

The book value of Project-Kowloon as at 31 March 2021 is the same as the market value of Project-Kowloon as at 31 May 2021 as included in the valuation report in Appendix III to this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the illustrative unaudited pro forma consolidated balance sheet of the Group (“**Unaudited Pro Forma Financial Information**”), which has been prepared on the basis of notes set out below and in accordance with Rule 4.29(1) of the Listing Rules, for the purpose of illustrating the effects of the Proposed Transaction on the Group for the inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Proposed Transaction on the Group’s financial position as at 31 March 2021 as if the Proposed Transaction had taken place at 31 March 2021.

The 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 of the Group had the Proposed Transaction been completed as at 31 March 2021 or any future dates.

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 annual report of the Company for the year ended 31 March 2021 and other financial information included elsewhere in this circular.

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	Audited consolidated balance sheet of the Group as at 31 March 2021 HK\$'000 Note 1	Pro forma adjustments HK\$'000 Note 3		Unaudited pro forma consolidated balance sheet of the Group after the Proposed Transaction HK\$'000 Notes 5 and 6
Non-current assets				
Property, plant and equipment	441,307			441,307
Investment properties	9,080,726			9,080,726
Right-of-use assets	691,440			691,440
Properties for/under development	508,523			508,523
Cemetery assets	285,376			285,376
Associated companies	58,183			58,183
Joint ventures	785,730			785,730
Financial assets at fair value through other comprehensive income	154,190			154,190
Loans and receivables and other deposits	419,879			419,879
Deferred taxation assets	24,700			24,700
	<u>12,450,054</u>			<u>12,450,054</u>
Current assets				
Properties for sale	1,712,522			1,712,522
Cemetery assets	452,153			452,153
Inventories	104,397			104,397
Debtors and prepayments	288,609			288,609
Financial assets at fair value through profit or loss	3,442,193			3,442,193
Cash and bank balances	2,296,665	(78,435) ⁽ⁱⁱ⁾	(5,800)	2,212,430
	8,296,539	(78,435)	(5,800)	8,212,304
Assets of disposal group classified as held for sale	770,429			770,429
	<u>9,066,968</u>	<u>(78,435)</u>	<u>(5,800)</u>	<u>8,982,733</u>
Current liabilities				
Creditors and accruals	632,366			632,366
Sales deposits received	10,984			10,984
Short-term bank borrowings	1,250,948			1,250,948
Current portion of long-term bank borrowings	4,781,697			4,781,697
Taxation payable	68,414			68,414
	6,744,409			6,744,409
Liabilities of disposal group classified as held for sale	69,437			69,437
	<u>6,813,846</u>			<u>6,813,846</u>
Net current assets	2,253,122	(78,435)	(5,800)	2,168,887
Total assets less current liabilities	<u>14,703,176</u>	<u>(78,435)</u>	<u>(5,800)</u>	<u>14,618,941</u>
Non-current liabilities				
Long-term bank borrowings	1,060,051			1,060,051
Deferred taxation liabilities	441,615			441,615
Loans and payables with non-controlling interests	47,688			47,688
Other non-current liabilities	80,917			80,917
	<u>1,630,271</u>			<u>1,630,271</u>
Net assets	<u>13,072,905</u>	<u>(78,435)</u>	<u>(5,800)</u>	<u>12,988,670</u>
Equity				
Share capital	418,138			418,138
Reserves	10,893,071	368,734 ⁽ⁱ⁾	(4,719)	11,257,086
Shareholders' funds	11,311,209	368,734	(4,719)	11,675,224
		(368,734) ⁽ⁱ⁾		
		(78,435) ⁽ⁱⁱ⁾		
Non-controlling interests	1,761,696	(447,169)	(1,081)	1,313,446
Total equity	<u>13,072,905</u>	<u>(78,435)</u>	<u>(5,800)</u>	<u>12,988,670</u>

Notes:

1. The amounts are extracted from the audited consolidated balance sheet of the Group as at 31 March 2021 as set out in the annual report of the Company for the year ended 31 March 2021 which is referred to in section 1 of Appendix I to this circular.
2. Upon Completion of the Proposed Transaction, the Central Treasure Group and Easy Success will become indirect wholly-owned subsidiaries of Chuang's China and will no longer be wholly-owned by the Company, but will remain as indirect non-wholly-owned subsidiaries of the Company through the Company's shareholding in Chuang's China (which is 60.71% as at the Latest Practicable Date). The change in shareholding in the Central Treasure Group and Easy Success do not result in a loss of control by the Company, and thus is accounted for as equity transactions in the consolidated financial statement of the Group in accordance with the Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Thus their assets, liabilities and results will continue to be consolidated into the consolidated financial statements of the Group. As such, there would be no impact to the assets and liabilities of the Group as shown in its consolidated balance sheet as at 31 March 2021 upon the Completion in this Unaudited Pro Forma Financial Information.
3. (i) These adjustments represent the effect of the Consideration Shares to the allotted and issued by Chuang's China to the Company as the Consideration of the Proposed Transaction, assuming the Proposed Transaction had taken place on 31 March 2021:

	HK\$'000	HK\$'000	HK\$'000
Net assets of the Chuang's China Group as at 31 March 2021 as per Note 20 of the annual report of the Company for the year ended 31 March 2021 (<i>note a</i>)			4,257,665
Add: Allotment and issue of Consideration Shares by Chuang's China (the effect of the estimated expenses of the Proposed Transaction to be incurred by Chuang's China is accounted for in note 4 below):			
Consideration as stated in the "Letter from the Board"		586,000	
Adjustments for Completion NAV of the Central Treasure Group and Easy Success:			
Exclusion of the aggregate estimated amount of Completion NAV of the Central Treasure Group and Easy Success in the Consideration (HK\$579 million + HK\$426 million - HK\$586 million)	419,000		
Inclusion of the aggregate amount of Completion NAV of the Central Treasure Group and Easy Success as at 31 March 2021 extracted from the audited financial information of the Central Treasure Group and Easy Success as at 31 March 2021 (-HK\$172.1 million - HK\$251.8 million)	(423,967)		
		(4,967)	
Adjusted consideration as at 31 March 2021		581,033	
Elimination of the unrealized gain from the intra-group transactions (<i>note b</i>)		(14,047)	
Adjusted consideration at the level of the Group			566,986
Adjusted net assets of the Chuang's China Group as at 31 March 2021 at level of the Group			4,824,651

HK\$'000

Share of the adjusted net assets by the Group at the maximum shareholding of 72.97% (<i>note c</i>)	3,520,548
Less: Share of the net assets of the Chuang's China Group as at 31 March 2021 before the Proposed Transaction (60.71% share of HK\$4,257,665,000)	<u>(2,584,828)</u>
Increased sharing of the net assets of the Chuang's China Group upon Completion of the Proposed Transaction	935,720
Adjusted consideration at the level of the Group	<u>(566,986)</u>
Increase in net assets attributable to the equity holders of the Company to be recorded directly in the reserves of the Group (<i>note d</i>)	<u>368,734</u>

Notes:

- (a) This net assets value of the Chuang's China Group includes the fair value adjusted amounts for certain assets acquired and liabilities assumed by the Group when the Group started to consolidate them before they were subsequently acquired by the Chuang's China Group.
- (b) Since Project-HK and Project-Kowloon will continue to be recorded in the original book value in the Group with the amount of HK\$564,953,000 and HK\$426,000,000 respectively, the surplus of HK\$14,047,000 from the Agreed Property Valuation (HK\$579 million and HK\$426 million) to these book value represents the unrealized gain from the intra-group transactions which is eliminated in the consolidated financial statements of the Group.
- (c) For the proposed subscription of the Consideration Shares as mentioned in the "Letter from the Board", the Group's shareholding in Chuang's China is expected to increase from approximately 60.71% to a maximum of approximately 72.97%, assuming the Consideration is HK\$586,000,000.
- (d) This amount represents the difference between the value of the Consideration and the increased sharing of the net assets of the Chuang's China Group by the equity holders of the Company upon Completion of the Proposed Transaction.

The actual amounts of the Consideration, the adjusted net assets of the Chuang's China Group, and the increase in net assets attributable to the equity holders of the Company to be recorded directly in the reserves of the Group can only be determined at Completion, which may be substantially different from the estimated amounts used in preparation of the Unaudited Pro Forma Financial Information. This adjustment has no continuing effect.

- (ii) These adjustments represent the “Proposed Conditional Chuang’s China Special Cash Distribution” as mentioned in the “Letter from the Board”. The Chuang’s China Board declares that conditional upon the Completion of the Proposed Transaction, Chuang’s China will distribute the Proposed Conditional Chuang’s China Special Cash Distribution of 8.5 HK cents per share to the Chuang’s China shareholders. The Consideration Shares will not be entitled to the Proposed Conditional Chuang’s China Special Cash Distribution. Thus with the total number of issued shares of Chuang’s China of 2,348,835,316 shares as at 31 March 2021, the Proposed Conditional Chuang’s China Special Cash Distribution will be amounted to approximately HK\$199,651,000. The Company holds 60.71% interests in Chuang’s China (1,426,074,923 shares) as at 31 March 2021, thus the amount of the Proposed Conditional Chuang’s China Special Cash Distribution to be received by the Company would be approximately HK\$121,216,000 and such amount would be eliminated at the consolidated level of the Group. The difference of approximately HK\$78,435,000 will be paid to the non-controlling interests.

The Proposed Conditional Chuang’s China Special Cash Distribution may only become payable upon the Completion of the Proposed Transaction. This adjustment has no continuing effect.

4. These adjustments represent the estimated legal and professional fee and transaction expenses attributable to the Proposed Transaction of approximately HK\$5,800,000, which are to be paid in cash. These transaction costs, which relate to equity transaction, are deducted from equity directly. The amount has included the estimated expenses of approximately HK\$1,800,000 to be incurred by the Group, and the estimated expenses of approximately HK\$4,000,000 from the Chuang’s China Group with the deduction of 27.03% non-controlling interests portion.
5. On 9 February 2021, the Chuang’s China Group entered into the conditional sale and purchase agreements with independent third parties for the disposal of the properties holding subsidiaries that hold the property project in Panyu, Guangzhou, the PRC, for an aggregate consideration of about RMB1,571.3 million (equivalent to approximately HK\$1,872.2 million) (subject to adjustments) (the “**Panyu Disposal**”). The Panyu Disposal was announced by the Company on 11 February 2021 and published in the circular on 19 March 2021. As at 31 March 2021, deposit of RMB100 million (equivalent to approximately HK\$118.3 million) was received and recorded in “Creditors and accruals” as shown in the Unaudited Pro Forma Financial Information presented above. All related assets and liabilities of the disposal group were reclassified as “Assets of disposal group classified as held for sale” and “Liabilities of disposal group classified as held for sale” respectively as at 31 March 2021 as shown in the Unaudited Pro Forma Financial Information presented above. The Panyu Disposal was approved by the shareholders of the Company at the special general meeting held on 13 April 2021. The transaction was then completed on 14 May 2021 in accordance with the terms and conditions of the sale and purchase agreements and the consideration of about RMB1,346.4 million (equivalent to approximately HK\$1,615.7 million) was received at completion. An estimated net gain of approximately HK\$1.0 billion (before deducting non-controlling interests of about HK\$0.4 billion) is expected to be generated from the transaction. As the Panyu Disposal was completed after 31 March 2021 and is not the subject matter of this circular, the Panyu Disposal has not been included in this unaudited pro forma consolidated balance sheet of the Group as shown above.
6. Apart from note 3(ii) and note 5 above, no other adjustment (including the Panyu Disposal mentioned in note 5 above) has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2021.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report on the unaudited pro forma financial information of the Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Chuang's Consortium International Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chuang's Consortium International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31 March 2021 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-5 of the Company's circular dated 20 August 2021, in connection with the proposed disposal of the entire equity interest in Central Treasure Investments Limited and Easy Success Enterprises Limited and the proposed subscription of the consideration shares (the "**Proposed Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-5 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Transaction on the Group's financial position as at 31 March 2021 as if the Proposed Transaction had taken place at 31 March 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 March 2021, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors 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 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 Accountant’s 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors 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 Proposed Transaction at 31 March 2021 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 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 20 August 2021

The following is the text of a letter and valuation particulars prepared for the purpose of incorporation in this circular received from Colliers, an independent valuer, in connection with its valuations as at 31 May 2021 of Project-HK and Project-Kowloon.

The logo for Colliers, featuring the word "Colliers" in a bold, serif font, enclosed within a rectangular border with horizontal lines at the top and bottom.

20 August 2021

Chuang's Consortium International Limited

25/F, Alexandra House,
18 Chater Road,
Central,
Hong Kong

Re: Valuations of Nos. 16, 18 and 20, Gage Street, Hong Kong and Posco Building, No. 165 Un Chau Street, Kowloon (the "Properties")

Dear Sirs,

INSTRUCTIONS, PURPOSES AND VALUATION DATE

In accordance with your instructions for us to assess the market values of the Properties in Hong Kong, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of the values of the Properties as at 31 May 2021 (the "Valuation Date") for disposal purposes.

BASIS OF VALUATION

Our valuation has been made on the basis of 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".

VALUATION STANDARDS

The valuation has been carried out in accordance with the Hong Kong Institute of Surveyors' (HKIS) *Valuation Standards* published by the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors' (RICS) *Valuation — Global Standards*, both incorporating the *International Valuation Standards* published by the International Valuation Standards Council (IVSC). We have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited.

VALUATION METHODOLOGY

We have valued the Properties by the following approaches and cross-checked to each other:

Market Approach

This approach estimates the values of properties by comparing recent sales of similar interests in the building or buildings located in their surrounding area. By analysing such sales which qualify as ‘arms-length’ transactions, between willing buyers and sellers, adjustments are made for size, location, time, building quality, age and other relevant factors when comparing such sales prices to assess the value of the subject property. This approach is commonly used to value properties when reliable sales evidence of properties of a similar nature is available.

Residual Approach

This is a means of valuing land or buildings by reference to their development potential. The value is the residue of the gross development value of the proposed development scheme upon completion, deferred by the development period up to the time when all the units have been disposed of in the open market, after deducting the development costs including demolition costs, building costs, professional fees and allowance for risk and profit.

SOURCE OF INFORMATION

All investigations have been conducted independently and without influence from any third parties in any way. We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as particulars of occupancy, ownership title, lettings, statutory notices, easements, tenure, joint venture agreements and all other relevant matters. Dimensions, measurements and areas included in the valuation particulars are based on information provided and are only approximations.

TITLE INVESTIGATIONS

We have conducted relevant land searches from the Land Registry. However, we have neither examined the original documents to verify the ownership nor to ascertain the existence of any amendments which do not appear on the copies handed to us and we have assumed no responsibility for such matters.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the areas shown on the documents and plans provided to us are correct.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Properties on 25 June 2021. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects or deleterious materials. No tests were carried out on any of the services and we cannot advise on the adequacy of plant and machinery servicing the Properties and their tenants (if applicable). We have assumed that the Energy Performance certificates on the Properties are of a marketable standard and will not prejudice any sales or lettings.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the Properties would be sold in the open market in their existing state, subject to existing tenancies or otherwise with the benefit of vacant possession, without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could affect the values of the Properties.

We have valued the Properties on the basis that each of them is considered individually. We have not allowed any discount for the Properties being sold to one party nor taken into account any effect on the values if the Properties were offered for sale at the same time as a portfolio.

We have conducted the valuations assuming that:

1. we have assumed that the Properties are free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value.
2. any land premium or other relevant fees (if any) payable for the acquisition, transfer, sale, letting or mortgage of the Properties have been fully paid and settled.
3. we have assumed proper title has been obtained, and the Properties and the interest valued therein can be freely transferred, mortgaged and let in the market.
4. the information, estimates and opinions furnished to us and contained in this report have been obtained from sources considered reliable and believed to be true and correct, but we can assume no responsibility for their accuracy.
5. Property 2 is in a good state of repair and maintenance and fit for the use to which it is put and will continue to be managed and maintained to this standard in the future.

THE VALUER

This valuations have been prepared by Hannah Jeong, Head of Valuation and Advisory Services and Nancy Chan, Associate Director of Valuation and Advisory Services.

Both valuers have sufficient experience to carry out valuations of this size and nature.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary interest or other conflict of interest that could affect their ability to give an unbiased and objective opinion of the values of the Properties.

CURRENCY

Unless otherwise stated, all monetary figures in this report are in Hong Kong Dollar (HK\$).

Our summary of valuations and valuation particulars are herein attached.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd

Nancy Chan
MHKIS MRICS RPS(GP) MCIREA
REGISTERED REAL ESTATE
APPRAISER PRC
Associate Director
Valuation and Advisory Services

Hannah Jeong
MSc (Real Estate) MRICS MHKIS RPS(GP)
Head of Valuation and Advisory Services

Note: Hannah Jeong holds a Master of Science degree, is a Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice) with over 16 years' experience in the real estate industry. Her valuation experience covers Hong Kong, the United Kingdom, Central and West Asia, Greater China, Korea and other regions.

Nancy Chan is a Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice), a member of the China Institute of Real Estate of Real Estate Appraisers and Agents and a registered Real Estate Appraiser PRC with over 11 years' experience in the real estate industry. Her valuation experience covers Hong Kong, the United Kingdom, Central Asia, Greater China, Asia Pacific and other regions.

SUMMARY OF VALUATIONS

Properties	Market Value as at 31 May 2021
1. Nos. 16, 18 and 20 Gage Street, Hong Kong	HK\$579,000,000
2. Posco Building, No. 165 Un Chau Street, Kowloon	<u>HK\$426,000,000</u>
Total	<u>HK\$1,005,000,000</u>

VALUATION PARTICULARS

Property interests for which the Company is considering disposal of:

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2021
1. Nos. 16, 18 and 20 Gage Street, Hong Kong	The Property is a development site situated in Nos. 16, 18 and 20 Gage Street.	As per our inspection, the Property was under demolition.	HK\$579,000,000 (Hong Kong Dollars Five Hundred and Seventy-Nine Million only)
Section A of Inland Lot No. 188, Section B of Inland Lot No. 188, The Remaining Portion of Inland Lot No. 188, The Remaining Portion of Section A of Inland Lot No. 187	As per the information provided by the Company, and verified on inspection, the site is currently vacant and is under demolition. According to the latest approved building plans, the Property can be redeveloped into a 26-storey residential with retail podium composite development with a proposed gross floor area ("GFA") of approximately 3,245.75 sq. m. (or about 34,937.24 sq. ft.). The subject lots, Section A of Inland Lot No. 188, Section B of Inland Lot No. 188, and The Remaining Portion of Inland Lot No. 188, are held under a Government Lease commencing on 31 August 1844 for a term of 999 years, while the Remaining Portion of Section A of Inland Lot No. 187, is held under a Government Lease commencing on 17 May 1850 for a term of 999 years. The Government Rent of the property is approximately HK\$156 per annum.		Gross Development Value as at 31 May 2021 HK\$1,008,000,000 (Hong Kong Dollars One Thousand and Eight Million)

Notes:

1. The registered owners of Nos. 16 and 18 Gage Street is Favour Day Limited and No. 20 Gage Street is Asian Land Limited, registered vide various assignments and registration dates respectively.
2. The Property was inspected by Nancy Chan on 25 June 2021.
3. The Property is subject to the following encumbrances:

No. 16 Gage Street

- (a) Government Notice No. 2153 of 16 April 2021 pursuant to Section 22(1) of the Government Rent and Premium (Appointment) Ordinance (Cap. 125) dated 16 April 2021, registered vide Memorial No. 21042301970019.

Nos. 16 and 18 Gage Street

- (b) Deed of Mutual Covenant of Right of Way dated 23 February 1970, registered vide Memorial No. UB728286;
- (c) Deed of Mutual Covenant dated 1 May 1970, registered vide Memorial No. UB741215;
- (d) Memorandum of Agreement for Sale and Purchase (by public auction) in favour of Favour Day Limited dated 14 July 2020, registered vide Memorial No. 20081102160192;
- (e) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities dated 17 August 2020, registered vide Memorial No. 20090701850185; and
- (f) Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited dated 17 August 2020, registered vide Memorial No. 20090701850190.

No. 20 Gage Street

- (g) Deed of Mutual Covenant dated 10 December 1966, registered vide Memorial No. UB564796;
 - (h) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities dated 5 July 2021, registered vide Memorial No. 21071602600340; and
 - (i) Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited dated 5 July 2021, registered vide Memorial No. 21071602600355.
4. The Property lies within an area zoned “Residential (Group A) 9” under the Approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34.
 5. We have considered the three site sale transactions as available in the relevant market in our valuation, which are situated at Robinson Road, Hollywood Road and Ap Lei Chau. The accommodation value of these comparables ranged from about HK\$14,809 per sq. ft. to HK\$18,198 per sq. ft.. After due adjustments on location and time, we have adopted the accommodation value of HK\$16,572 per sq. ft. to arrive the market value of HK\$579,000,000.

The details of comparables are as follows:

	Comparable 1	Comparable 2	Comparable 3
Address	No. 105 Robinson Road	Nos. 165, 167 and 169 Hollywood Road and Nos. 8 to 12 Upper Lascar Row	Ap Lei Chau Inland Lot No. 137
Transaction Date	25 March 2021	12 March 2021	27 May 2020
Consideration (HK\$)	2,505,000,000	367,271,000	1,332,800,000
Site Area (sq. ft.)	27,530	3,100	12,150
Proposed GFA (sq. ft.)	137,650	24,800	88,282
Plot Ratio	5	8	7.266
Class of Site	A	A	A
Zoning	R(C)5	R(A)8	R(A)
User	Offensive trades clause	Offensive trades clause	Private residential
Accommodation Value (HK\$/sq. ft.)	18,198	14,809	15,097

6. In undertaking our valuation, we have referred to the proposed development scheme provided by the Company with the development parameters identified that the total estimated development cost is about HK\$276,000,000 and the outstanding construction cost is about HK\$269,000,000 as at the Valuation Date. The development is estimated to be completed by July 2024.

In our valuation, we have made reference to market comparables from Q2 of 2019 to Q1 of 2021 near the Property. We have adopted the range of effective unit rates between HK\$32,200 to HK\$35,000 per sq. ft. for residential, HK\$51,500 to HK\$58,500 per sq. ft. for ground floor retail and HK\$13,100 to HK\$26,000 per sq. ft. for first floor retail on effective area basis. The average unit rates adopted in our valuation are HK\$41,300 per sq. ft. for residential, HK\$75,300 per sq. ft. for ground floor retail and HK\$37,300 per sq. ft. for first floor retail on effective area basis. Due adjustments to the unit rates of residential have been considered to reflect factors including time, location, floor, size, age and view. For ground floor retail and first floor retail, we have been considered to reflect factors including due adjustments on time, location, age, frontage, return frontage and visibility. For residential portion, we have applied adjustment on time factor according to the Private Domestic — Price Index (Class A, B & C) from Rating & Valuation Department (“RVD”).

Based on the residential unit rate of HK\$41,300 per sq. ft., ground floor retail of HK\$75,300 per sq. ft. and first floor retail of HK\$37,300 per sq. ft. on effective area respectively, we further applied floor difference adjustment and considered the efficiency ratio to arrive gross development values at about HK\$841,680,000 for residential portion, HK\$82,129,000 for ground floor retail and HK\$83,870,000 for first floor retail accordingly. Thus the total gross development value is about HK\$1,008,000,000.

7. The Property is situated in south-eastern part of Gage Street near the junctions of Peel Street and Graham Street. Development in the vicinity comprises a mixture of aged domestic buildings, hawker stands, groceries stores and wet retail shops, the “Taste of Graham” below My Central (URA redevelopment project) is opposite to the Property. The Central-Mid-Levels Escalator is about 3 minutes walking distance away from the Property, Sheung Wan Station and Central Station are about 7 and 9 minutes respectively. Public transport such as buses, public light buses and taxis are available along Queen’s Road Central.

VALUATION PARTICULARS

Property interests for which the Company is considering disposal of:

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2021
2. Posco Building, No. 165 Un Chau Street, Kowloon	Posco Building is a 13-storey industrial building comprises ground floor retail shops and industrial units on upper floors.	As advised by the Company and the Property is leased under various tenancies with the latest expiry in February 2024.	HK\$426,000,000 (Hong Kong Dollars Four Hundred and Twenty-Six Million only)
The Remaining Portion of New Kowloon Inland Lot No. 432	Pursuant to the Occupation Permit No. NK39/70, the Property was built in 1970. According to our scale-off measurement of the approved building plans of the existing building, the saleable area of the Property is approximately 40,109 sq. ft. (or about 3,726.22 sq. m.). The subject lot is held under Government Lease for a term of 75 years renewable for 24 years, commencing from 1 July 1898, and has been statutorily extended to 30 June 2047 under New Territories Lease (Extension) Ordinance (Cap.150). The Government Rent of the Property is equivalent to 3% of rateable value per annum.	The total monthly rental is approximately HK\$669,514, exclusive of license fees, government rates, management fees and utility charges as at the Valuation Date.	Gross Development Value as at 31 May 2021 HK\$778,000,000 (Hong Kong Dollars Seven Hundred and Seventy-Eight Million Only)

Notes:

- The registered owner of the Property is Easy Success Enterprises Limited by an assignment dated 31 July 2017, registered vide Memorial No. 17082202130025.
- The Property was inspected on 25 June 2021 by Chris Wong, BSc (Property Management), senior valuer with two years' experience.
- The Property is subject to the following encumbrances:
 - A Mortgage dated 31 July 2017 in favour of Bank of China (Hong Kong) Limited, registered vide Memorial No. 17082202130031; and
 - An Assignment of Rentals and Sale Proceeds dated 31 July 2017 in favour of Bank of China (Hong Kong) Limited, registered vide Memorial No. 17082202130042.
- The Property lies within an area zoned "Residential (Group A) 7" under Approved Cheung Sha Wan Outline Zoning Plan No. S/K5/37 gazetted under Section 9(1)(a) on 16 December 2016.

5. We have considered the three site sale transactions as available in the relevant market in our valuation, which are situated at Prince Edward Road West, Soy Street and Hai Tan Street. The accommodation value of these comparables ranged from about HK\$9,135 per sq. ft. to HK\$10,355 per sq. ft.. After due adjustments on location, time and view, we have adopted the accommodation value of HK\$12,074 per sq. ft. to arrive the market value of HK\$426,000,000.

The details of comparables are as follows:

	Comparable 1	Comparable 2	Comparable 3
Address	No. 266 Prince Edward Road West	Soy Street & Shanghai Street, Mongkok	Nos. 244–256 Hai Tan Street
Lot No.	KIL 2135 S.A ss6	KIL 11240	NKIL 918 R.P., NKIL 976 S.B, S.C., S.D., S.E, S.F., R.P.
Transaction Date	30 April 2019	28 April 2020	23 December 2020
Consideration (HK\$)	263,000,000	467,180,000	576,253,000
Site Area (sq. ft.)	5,758	6,733	7,420 (net)
Proposed GFA (sq. ft.)	28,790	50,497	55,650
Plot Ratio	5	7.5	7.5
Class of Site	A	B	A
Zoning	R(B)	R(A)3	R(A)6
User	Apartment Building of European Type	Residential	Offensive trades clause
Accommodation Value (HK\$/sq. ft.)	9,135	9,252	10,355

6. In undertaking our valuation, we have referred to the proposed development scheme provided by the Company with the development parameters identified that the total estimated development cost is about HK\$206,000,000 as at the Valuation Date. The development is estimated to be completed within 3 years of time.

In our valuation, we have made reference to market comparables from Q4 of 2019 to Q1 of 2021 near the Property. We have adopted the range of effective unit rates between HK\$23,100 to HK\$26,200 per sq. ft. for residential, HK\$33,800 to HK\$44,400 per sq. ft. for ground floor retail and HK\$8,400 to HK\$14,900 per sq. ft. for upper floor retail on effective area basis. The average unit rates adopted in our valuation are HK\$24,900 per sq. ft. for residential, HK\$42,000 per sq. ft. for ground floor retail and HK\$14,900 per sq. ft. for the two levels upper floor retail on effective area basis. Due adjustments to the unit rates of residential and retail have been considered to reflect factors including time, floor, size, location, frontage, return frontage and quality. For residential portion, we have applied time adjustments according to the Private Domestic — Price Index (Class A) from RVD.

Based on the unit rate of HK\$24,900 per sq. ft., HK\$42,000 per sq. ft. and HK\$14,900 per sq. ft. on effective area for residential, ground floor retail and upper floor retail respectively, we further applied floor difference adjustment and considered the efficiency ratio to arrive gross development values at HK\$504,900,000 for residential portion, HK\$135,700,000 for ground floor retail and HK\$137,000,000 for the two levels of upper floor retail accordingly. Thus the total gross development value is about HK\$778,000,000.

7. The Property is situated at south-eastern part of Un Chau Street. Developments in the vicinity comprise car repairing shops, retail shops, industrial, commercial and residential buildings. Un Chau Estate, Dragon Centre and Golden Computer Arcade are all within 10 minutes walking distance from the Property, Sham Shui Po Station and Cheung Sha Wan Station are within 6 minutes and 5 minutes respectively. Public transport such as buses, public light buses and taxis are available along Castle Peak Road.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors

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

(i) *Interests in the Company*

Name of Director	Nature of interest	Number of Shares	Percentage of shareholding
Mr. Albert Chuang Ka Pun	Beneficial owner	1,299,678	0.08%

(ii) *Interests in associated corporations*

(a) *EHL*

Name of Director	Nature of interest	Number of shares	Percentage of shareholding
Mr. Albert Chuang Ka Pun	Beneficial owner	1	10.00%
Ms. Candy Chuang	Beneficial owner	1	10.00%
Mr. Edwin Chuang Ka Fung	Beneficial owner	1	10.00%
Mr. Geoffrey Chuang Ka Kam	Beneficial owner	1	10.00%

(b) Interests in Chuang's China

Name of Director	Nature of interest	Number of shares	Percentage of shareholding
Ms. Candy Chuang	Beneficial owner	1,255,004	0.05%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.

Interests in assets

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 March 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Service contracts

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

Interests in other competing business

The Company discloses that Mr. Albert Chuang Ka Pun, Mr. Edwin Chuang Ka Fung, Ms. Candy Chuang and Mr. Geoffrey Chuang Ka Kam hold equity interests and directorships in certain private companies which are engaged in the businesses of luxurious residential property investment in Hong Kong and securities investment and trading.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

3. LITIGATION

As announced on 12 December 2019, the Chuang's China Group obtained the judgement from 四川省高級人民法院 (Sichuan Province Higher People's Court*) that various agreements relating to the joint venture project in Chengdu entered into between the Chuang's China Group and the PRC parties shall be rescinded. Also as announced on 31 December 2019, the PRC parties had filed an appeal against one of the judgement payments, whereas the Chuang's China Group had also filed an appeal for the judgement payments to be raised. As announced on 10 February 2021, the Chuang's China Group had received the final judgement from 最高人民法院 (Supreme People's Court*) which accepted the Chuang's China Group's certain appeal opinions and requests and made a revision of the judgement payments in favour of the Chuang's China Group. The PRC parties shall pay the revised judgement payments within 30 days upon receipt of the final judgement, yet they failed to make these payments within this 30 days period. In this respect, the Chuang's China Group has made application to the court to enforce the final judgement. The enforcement application was accepted by the court in March 2021, and the enforcement is currently in progress.

The Company announced on 22 June 2017, 22 November 2017, 13 December 2017, 25 April 2018 and 12 February 2019 respectively in respect of the derivative action commenced by Chinaculture.com Limited, a wholly-owned subsidiary of Chuang's China, on behalf of CNT Group Limited ("CNT"), a company listed on the Stock Exchange, against certain executive directors of CNT as defendants, and CNT as a nominal defendant. The substantive trial of the derivative action was heard as scheduled on 9 November 2020 at the High Court of Hong Kong and is awaiting for the court decision.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, the Group was not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. EXPERTS AND CONSENTS

The qualification of the experts who have given their opinions in this circular is as follows:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Colliers	Professional surveyor and valuer

* English translation only

As at the Latest Practicable Date, each of the above experts had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which it appeared.

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

As at the Latest Practicable Date, the above experts did not have any interest in any assets which have been, since 31 March 2021 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL CONTRACTS

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

- (i) the sale and purchase agreement dated 30 April 2020 entered into between Bizking Limited (“**BL**”), an indirect wholly-owned subsidiary of Chuang’s China, and Retain Prosper Limited (“**RPL**”) in relation to the disposal by BL to RPL of the entire issued share capital of Noble Title Limited for a consideration of approximately GBP94,215,000 (subject to adjustments), details of which were set out in the announcement and the circular of the Company dated 3 May 2020 and 3 June 2020 respectively;
- (ii) the conditional sale and purchase agreement dated 9 February 2021 entered into amongst the Purchaser, a direct wholly-owned subsidiary of Chuang’s China, Chuang’s China, FS Dongguan No. 6 Ltd and First Sponsor Group Limited in relation to the disposal of the entire issued share capital of Double Wealthy Company Limited and the entire amount of the loan owing by Double Wealthy Company Limited to the Purchaser for a consideration of not more than approximately RMB1,564 million (subject to adjustments), details of which were set out in the announcement and the circular of the Company dated 11 February 2021 and 19 March 2021 respectively;
- (iii) the conditional sale and purchase agreement dated 9 February 2021 entered into amongst Guangzhou Heng Yang Investment Services Limited* (廣州恒陽投資諮詢服務有限公司), an indirect wholly-owned subsidiary of Chuang’s China, First Sponsor (Guangdong) Group Limited* (首鑄(廣東)集團有限公司) and Shoucheng (Dongguan) Real Estate Co., Ltd* (首誠(東莞)房地產有限公司) in relation to the disposal of the entire issued share capital of Guangzhou Kai Xiang Properties Management Company Limited* (廣州市凱翔物業管理有限公司) for a consideration

* English translation only

of not more than approximately RMB10.5 million (subject to adjustments), details of which were set out in the announcement and the circular of the Company dated 11 February 2021 and 19 March 2021 respectively; and

- (iv) the Sale and Purchase Agreement.

6. GENERAL

- (i) The secretary of the Company is Ms. Lee Wai Ching who is a fellow of both the Chartered Governance Institute in the United Kingdom and the Hong Kong Chartered Governance Institute.
- (ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business in Hong Kong is situated at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.
- (iii) The Company's branch share registrar and transfer office in Hong Kong is Tricor Standard Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) In the event of any inconsistency, the English texts of this circular shall prevail over the Chinese texts.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours (Saturdays and public holidays excepted) up to and including the date which is 14 days from the date of this circular:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the years ended 31 March 2019, 2020 and 2021;
- (iii) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (iv) the valuation report prepared by Colliers in relation to Project-HK and Project-Kowloon, the text of which is set out in Appendix III to this circular;
- (v) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (vi) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and
- (vii) this circular.