
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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中国三迪
CHINA SANDI

CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

**(1) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS;
(2) PROPOSED ADOPTION OF THE NEW BYE-LAWS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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



建泉融資有限公司
VBG Capital Limited

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

A letter from the Board is set out on pages 5 to 21 of this circular. A letter of advice from VBG to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 41 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular.

A notice convening the SGM to be held at 21st Floor, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong at 2:00 p.m. on Wednesday, 13 March 2024 is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed. This circular together with the form of proxy are also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chinasandi.com.cn).

Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

The Chinese translation of this circular is for reference only, and in case of any inconsistency, the English version shall prevail.

22 February 2024

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DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 21 September 2018 entered into among Grand Supreme, Primary Partner and Mr. Guo in respect of the acquisition of All Excel
“All Excel”	All Excel Industries Limited (全盛實業有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong and PRC are open for normal business (excluding Saturday, Sunday, public holidays in Hong Kong or PRC or days on which a tropical cyclone signal number 8 or above or black rain storm warning is hoisted at any time between 9:00 a.m. to 12:00 noon and which has not been lowered by 12:00 noon on the same day)
“BVI”	the British Virgin Islands
“CB Amendment Deed”	the deed of amendment dated 30 January 2024 entered into between the Company and Primary Partner in relation to the Proposed CB Amendments
“CB Terms and Conditions”	the terms and conditions of the Convertible Bonds (as supplemented and amended from time to time)
“Companies Act”	the Companies Act 1981 (as amended) of Bermuda
“Company”	China Sandi Holdings Limited (Stock Code: 910), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Conversion Share(s)”	new Shares to be allotted or issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the CB Terms and Conditions

DEFINITIONS

“Convertible Bonds”	the convertible bonds in the principal amount of HK\$500 million issued by the Company to Primary Partner on 30 January 2019, which the principal amount shall be changed to HK\$300 million under the Proposed CB Amendments
“Director(s)”	the director(s) of the Company
“Existing Bye-laws” or “Bye-Law(s)”	the existing amended and restated bye-laws of the Company adopted pursuant to a special resolution passed on 30 June 2022, as amended, supplemented or otherwise modified from time to time
“Existing Conversion Price”	HK\$0.412 per Conversion Share, being the existing conversion price of the Convertible Bonds, subject to adjustments under the CB Terms and Conditions
“Extended CB Maturity Date”	30 January 2029, the proposed new maturity date of the Convertible Bonds under the Proposed CB Amendments
“Grand Supreme”	Grand Supreme Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee (comprising all the independent non-executive Directors) which has been established by the Board to make recommendation to the Independent Shareholders on the CB Amendment Deed, and the transactions contemplated thereunder and the Specific Mandate
“Independent Financial Adviser” or “VBG”	VBG Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and appointed, with the approval of the Independent Board Committee, by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the CB Amendment Deed and the transactions contemplated thereunder (including but not limited to the Proposed CB Amendments) and the grant of the Specific Mandate to allot and issue the Conversion Shares upon exercise of the rights attached to the Convertible Bonds

DEFINITIONS

“Independent Shareholders”	Shareholders other than United Century, King Partner, Primary Partner and their respective associates and other Shareholders who have a material interest in the CB Amendment Deed
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“King Partner”	King Partner Holdings Limited, a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Guo
“Last Trading Day”	30 January 2024, being the last day on which the Shares were traded on the Stock Exchange prior to publication of this announcement
“Latest Practicable Date”	19 February 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guo”	Mr. Guo Jiadi, an executive Director, the chairman of the Board and a controlling shareholder of the Company
“New Bye-laws”	the second amended and restated bye-laws of the Company incorporating the Proposed Bye-laws Amendments to be adopted by the Shareholders at the SGM
“PN Amendments”	the amendments to the terms of the Promissory Note as contemplated under the PN Amendment Deed
“PN Amendment Deed”	the deed of amendment dated 30 January 2024 entered into between the Company and Primary Partner in relation to the PN Amendments
“PRC”	the People’s Republic of China
“Primary Partner”	Primary Partner International Limited, a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Guo
“Promissory Note”	the promissory note in the principal amount of HK\$600 million issued by the Company on 30 January 2019 to settle part of the consideration for the acquisition of All Excel
“Proposed Bye-laws Amendments”	as defined in the section headed “PROPOSED ADOPTION OF NEW BYE-LAWS” in the letter from the Board in this circular

DEFINITIONS

“Proposed CB Amendments”	the proposed amendments to the terms and conditions of the Convertible Bonds as contemplated under the CB Amendment Deed
“Revised Conversion Price”	the proposed new conversion price of HK\$0.090 per Conversion Share under the Proposed CB Amendments, subject to adjustments under the CB Terms and Conditions
“United Century”	United Century International Limited, a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Guo
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the resolution(s) in respect of (i) CB Amendment Deed, and the transactions contemplated thereunder and the Specific Mandate; and (ii) the Proposed Bye-laws Amendments and the adoption of the New Bye-laws
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at the SGM to allot and issue the Consideration Shares and the Conversion Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission (as amended or supplemented from time to time)
“%”	“%” per cent.

LETTER FROM THE BOARD



中国三迪
CHINA SANDI

CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

Executive Directors:

Mr. Guo Jiadi (*Chairman*)

Ms. Amika Lan E Guo

Mr. Wang Chao

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Chan Yee Ping, Michael

Mr. Lam Wai Fung, Dominic

Ms. Wong Wai Man

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

Room 2008, 20th Floor

118 Connaught Road West,

Hong Kong

22 February 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS;
(2) PROPOSED ADOPTION OF THE NEW BYE-LAWS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to (i) the announcements of the Company dated 21 September 2018, 30 January 2019 and 30 January 2024, and the circular of the Company dated 26 December 2018 in relation to the Agreement for the acquisition of All Excel; and (ii) the announcement of the Company dated 19 February 2024 in relation to the Proposed Bye-laws Amendments.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with, among other things, (i) details of the CB Amendment Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the CB Amendment Deed and the transactions contemplated thereunder; (iii) a letter of advice from VBG to the Independent Board Committee and the Independent Shareholders in relation to the CB Amendment Deed and the transactions contemplated thereunder; (iv) further information of the Proposed Bye-laws Amendments; (v) other information as required under the Listing Rules; and (vi) the notice of SGM.

AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

On 21 September 2018, Grand Supreme (as purchaser), Primary Partner (as vendor) and Mr. Guo (as guarantor) entered into the Agreement, pursuant to which Grand Supreme has conditionally agreed to acquire, and Primary Partner has conditionally agreed to sell the entire issued share capital of All Excel. On 30 January 2019, all conditions precedent of the Agreement had been fulfilled and the completion of the acquisition of All Excel took place on 30 January 2019. The Convertible Bonds in the principal amount of HK\$500,000,000 was issued by the Company to Primary Partner on 30 January 2019 to settle part of the consideration for the acquisition of All Excel.

The Convertible Bonds were issued at an interest rate of 1% per annum and the original maturity date of the Convertible Bonds fell on 30 January 2024.

On 30 January 2024 (after trading hours), the Company and Primary Partner entered into the CB Amendment Deed pursuant to which the Company and Primary Partner have conditionally agreed to amend the CB Terms and Conditions to the effect that:

- (i) the principal amount of the Convertible Bonds shall be changed from HK\$500,000,000 to HK\$300,000,000;
- (ii) the maturity date shall be changed from 30 January 2024 to 30 January 2029;
- (iii) the interest rate shall be changed from 1% per annum to 2% per annum;
- (iv) a right shall be granted to Primary Partner to require the Company to redeem all of the outstanding Convertible Bonds; and
- (v) the conversion price of the Convertible Bonds shall be changed from HK\$0.412 to HK\$0.090 per Conversion Share.

Save for the Proposed CB Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged.

As at the Latest Practicable Date, an aggregate principal amount of HK\$500,000,000 and an aggregate accrued interest of approximately HK\$6,184,000 of the Convertible Bonds remains outstanding, and the Convertible Bonds have not been redeemed or converted in whole or in part.

LETTER FROM THE BOARD

An application has been made by the Company to the Stock Exchange for the approval of the Proposed CB Amendments pursuant to Rule 28.05 of the Listing Rules.

Conditions precedent

The CB Amendment Deed will only become effective upon all the following conditions having been fulfilled:

- (a) the Stock Exchange having granted approval for the Proposed CB Amendments as contemplated under the CB Amendment Deed pursuant to Rule 28.05 of the Listing Rules;
- (b) the Listing Committee having granted or agreed to grant approval for the listing of, and permission to deal in, the Conversion Shares which shall fall to be allotted and issued by the Company upon exercise of the rights attached to the Convertible Bonds as amended and supplemented by the CB Amendment Deed; and
- (c) the passing of resolution(s) to approve the CB Amendment Deed, the Proposed CB Amendments as contemplated under the CB Amendment Deed and the allotment and issue of the Conversion Shares by the Company upon exercise of the rights attached to the Convertible Bonds as amended and supplemented by the CB Amendment Deed by the Independent Shareholders at the SGM to be held and convened.

The CB Amendment Deed will take effect retrospectively from 30 January 2024, contingent upon the fulfilment of all conditions precedent thereunder. All of the conditions are incapable of being waived. As at the Latest Practicable Date, none of the aforesaid conditions precedent have been fulfilled.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds after the CB Amendment Deed becomes effective are as follows:

Issuer	:	The Company
Subscriber	:	Primary Partner
Principal amount	:	HK\$300 million
Maturity date	:	The day falling the tenth anniversary of the date of issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (i.e. 30 January 2029)

LETTER FROM THE BOARD

The five-year extension period of the maturity date of the Convertible Bonds from 30 January 2024 to 30 January 2029 was agreed between Primary Partner and the Company, in order to enable the Company to have sufficient time to arrange for funding to meet its payment obligations on the Extended CB Maturity Date. Considering the PRC real estate market is currently experiencing a downturn and the recent collapse of a leading PRC property developer, the Board does not anticipate the market to be significantly recovered in the next couple of years. Therefore, it intends to extend the maturity date of the Convertible Bonds for a longer period which is a more realistic time frame for the Company to repay the Convertible Bonds in full on maturity. The Directors consider such extension is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

- Interest** : 2% per annum, payable annually in arrears
- Conversion rights** : Holder of the Convertible Bonds will have the right, at any time during the period commencing on the date of issue of the Convertible Bonds and ending on the tenth anniversary of the date of issue of the Convertible Bonds, to convert the Convertible Bonds in whole or in part of the outstanding principal amount of the Convertible Bonds into Conversion Shares, provided that the exercise of the conversion rights will not (i) result in the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public, or (ii) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Convertible Bonds which exercised the conversion rights
- Conversion price** : The Revised Conversion Price shall be HK\$0.090 per Conversion Share, subject to adjustments as hereafter described.

The Revised Conversion Price of HK\$0.090 per Conversion Share represents:

- (i) a premium of approximately 4.65% over the closing price of HK\$0.086 per Share as quoted on the Stock Exchange on the date of the CB Amendment Deed;
- (ii) a discount of approximately 0.22% to the average of the closing prices of HK\$0.0902 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a premium of approximately 1.81% to the average of the closing prices of HK\$0.0884 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 91.96% to the consolidated unaudited net asset value of the Company attributable to the Shareholders as at 30 June 2023 of approximately RMB1.0186 per Share (equivalent to HK\$1.12 per Share) (based on the unaudited consolidated total equity as at 30 June 2023, being approximately RMB5,182,770,000, and 5,088,207,546 Shares in issue as at the Latest Practicable Date); and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 0.175%, represented by the theoretical diluted price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.0902 per Share, to the benchmarked price of HK\$0.0904 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK\$0.086 per Share on the date of the CB Amendment Deed and (ii) the average closing price of HK\$0.0904 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the CB Amendment Deed).

The net price of each Conversion Share to the Company (after deducting expenses) is expected to be approximately HK\$0.0899 per Conversion Share.

LETTER FROM THE BOARD

The Revised Conversion Price was determined after arm's length negotiation between Primary Partner and the Group with reference to the 5-day average closing prices of the Shares of HK\$0.0902 as quoted on the Stock Exchange up to and including the date of the CB Amendment Deed. The Directors consider that the theoretical dilution effect of approximately 0.175% is remote. Should Primary Partner exercise the conversion right attached to the Convertible Bonds, notwithstanding that it would cause shareholding dilution impact to the public Shareholders, it would also alleviate the financial pressure on the Company to repay the Convertible Bonds on maturity, and could facilitate the Company in obtaining alternative source of finance to improve the financial position of the Company.

The Directors noted that the Revised Conversion Price represents a discount of approximately 91.96% to the consolidated unaudited net asset value of the Company attributable to the Shareholders as at 30 June 2023, or an implied price to book ratio of approximately 0.08 times. The Company conducted research on the price to book ratio of Hong Kong listed peers of the Company which are also engaging in property development industry and with a market capitalisation of below HK\$500 million. The Directors are of the view that the selection criteria are reasonable given that those companies under comparison are engaging in the same industry and of similar size of market capitalisation. An exhaustive list of around 60 Hong Kong listed peers of the Company with reference to the abovementioned selection criteria was selected, the recent price to book ratio of over 40% of them (i.e. 25 out of around 60) is below 0.08 times. Having considered the PRC real estate market is experiencing a downturn with poorer performance and tighter liquidity, the Directors are of the view that the implied price to book ratio of the Revised Conversion Price is reasonable based on peer comparison.

Whilst there is a significant discount of the Revised Conversion Price to the consolidated unaudited net asset value of the Company, considering that (i) the Revised Conversion Price is close to the prevailing market price of the Shares which reflects the prevailing valuation of the Company as perceived by the Shareholders; (ii) the Revised Conversion Price would serve as an incentive for Primary Partner to exercise the conversion rights attached to the Convertible Bonds to convert the Convertible Bonds into the Conversion Shares, thereby alleviating the financial pressure on the Company to repay the Convertible Bonds on maturity and could facilitate the Company in obtaining alternative source of finance to improve the financial position of the Company; and (iii) the implied price to book ratio of the Revised Conversion Price of approximately 0.08 times is reasonable based on peer comparison, the Directors are of the view that the Revised Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Adjustment events : The Revised Conversion Price will be adjusted upon the occurrence of the following events:

(a) Consolidation, sub-division or re-classification of the Shares

If and whenever the Shares by reason of any consolidation, sub-division or re-classification become of a different nominal amount, the Revised Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such consolidation, sub-division or re-classification

B = the nominal amount of one Share immediately prior to such consolidation, sub-division or re-classification

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation, sub-division or re-classification becomes effective.

LETTER FROM THE BOARD

(b) Offer of any new Shares to the Shareholders for subscription by way of rights, or a grant to the Shareholders of any options or warrants to subscribe for new Shares

When the Company offers any new Shares to all or vast majority of the Shareholders for subscription by way of rights, or a grant of options or warrants to all or vast majority of the Shareholders to subscribe for new Shares, the effective Revised Conversion Price in force immediately prior to the announcement of such event shall be adjusted by multiplying it by the following fraction:

$$\frac{C + \frac{D \times E}{F}}{C + D}$$

where:

C = the issued number of Shares before the publication date of announcement

D = the total number of Shares provided for subscription or granted for subscription or purchase

E = amounts payable (if any) for rights, options or warrants to subscribe for or purchase each new Share, in addition to the subscription or purchase price payable for each new Share

F = the higher of (i) the closing price per Share on the day immediately preceding the date of announcement; and (ii) the effective conversion price per Share on the day immediately preceding the date of announcement

The above adjustment shall take effect from 12:00 a.m. on the day following the registration date of issuance or grant.

Conversion Shares : Based on the Revised Conversion Price of HK\$0.090 per Conversion Share, a maximum of 3,333,333,333 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full. The 3,333,333,333 Conversion Shares represent approximately 65.5% of the existing issued share capital of the Company as at the Latest Practicable Date and represent approximately 39.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares in full (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the full conversion of the Convertible Bonds).

LETTER FROM THE BOARD

The aggregate nominal value of the Conversion Shares (with a par value of HK\$0.01 each) will be approximately HK\$33,333,333.

The Conversion Shares shall be allotted and issued pursuant to the Specific Mandate.

Redemption : The Company may voluntarily redeem all of the Convertible Bonds at any time following the issue of the Convertible Bonds and prior to the maturity date by repaying the holder(s) of the Convertible Bonds all outstanding principal amount together with unpaid interest accrued thereon up to the date of voluntary redemption.

Holder(s) of the Convertible Bonds may voluntarily require the Company to redeem all of the Convertible Bonds at any time from the effective date specified in the CB Amendment Deed until 60 days before the maturity date by repaying the holder(s) of the Convertible Bonds all outstanding principal amount together with unpaid interest accrued thereon up to the date of voluntary redemption.

Transferability : Holder(s) of the Convertible Bonds may transfer the Convertible Bonds to any other persons, subject to compliance with relevant requirements of Listing Rules where applicable.

Voting rights : Holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.

Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.

Status : The Convertible Bonds constitute direct, unsubordinated, and unsecured obligations of the Company and shall at all times rank *pari passu* among themselves and with all existing and future unsubordinated and unsecured obligations, and shall entitle holder(s) thereof to receive repayment in priority over the Shareholders.

Save and except for the amendments in principal amount, maturity date, interest rate, conversion price and redemption right as set out in the paragraph headed “Principal terms of the Proposed CB Amendments” above, all terms and conditions of the Convertible Bonds remain unchanged.

LETTER FROM THE BOARD

SPECIFIC MANDATE TO ALLOT AND ISSUE THE CONVERSION SHARES

As at the Latest Practicable Date, none of the Convertible Bonds has been, upon exercise of any conversion rights attaching thereto, converted into Shares. According to the existing terms and conditions of the Convertible Bonds, a bondholder shall have the right to convert the Convertible Bonds into Conversion Shares provided that (i) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules; or (ii) no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder.

As at the Latest Practicable Date, the aggregate principal amount of HK\$500,000,000 and the aggregate accrued interest of approximately HK\$6,184,000 of the Convertible Bonds remain outstanding. Assuming that no interest of the Convertible Bonds would be settled and paid to Primary Partner between the Latest Practicable Date and the Extended CB Maturity Date, the maximum aggregate accrued interest of the Convertible Bonds as at the Extended CB Maturity Date shall be approximately HK\$35,855,000. The Company currently has no intention to settle the accrued interest before the Extended CB Maturity Date as the Company plans to retain more working capital for the operation of the Group and the guaranteed delivery of completed properties to customers.

As at the Latest Practicable Date, the Company has 5,088,207,546 Shares in issue. Upon the Proposed CB Amendments as provided under the CB Amendment Deed becoming effective, assuming that no interest of the Convertible Bonds would be settled and paid to Primary Partner between the Latest Practicable Date and the Extended CB Maturity Date, the aggregate maximum number of Shares which may fall to be allotted and issued upon conversion in full of the Convertible Bonds at the Revised Conversion Price is 3,333,333,333 Shares, representing approximately 65.5% of the Company's existing issued share capital and approximately 39.6% of its issued share capital as enlarged by the allotment and issue of the Conversion Shares in full (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the full conversion of the Convertible Bonds).

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the SGM to be convened to authorise the Board to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds. The allotment and issue of the Conversion Shares is subject to the Independent Shareholders' approval at the SGM.

OTHER FUND-RAISING METHODS

The Board has considered other fund-raising methods including debt financing and equity financing before entering into the CB Amendment Deed.

External debt financing such as bank loan would give additional financial pressure to the Group. In addition, a majority of the existing bank and other borrowings of the Group are project bank loans with land, buildings and investment properties of the Group as security and it would be difficult for the Company to obtain new bank loans with preferable terms without security. It is expected that the cost of external debt financing would be higher and the terms of the external debt financing might require a higher interest rate, pledge of assets or financial guarantee. The Company negotiated with three banks in the PRC for debt financing, however due to the fact that facility lines for PRC real estate developers being tightened by banks in general, most of the applications were rejected, or being offered at an annual interest rate of over 5% with security required.

LETTER FROM THE BOARD

The Board has considered but decided not to conduct equity placement to independent third parties that might require a higher discount on the placing price and would bring immediate dilution effect on the shareholding of the Company. Additional financial burden to the Group would arise as equity placement would incur placing commission to the placing agent and other professional expenses. The placing agent might have difficulties to seek potential placees due to the recent pessimistic market sentiment and the low trading volume of the Shares. Besides, conducting equity financing by way of right issue or open offer might require a higher discount on the issue price, a lengthier process and a higher cost to professional parties for such fund-raising exercise, and would cause immediate dilution to the Shareholders who do not participate in the right issue or open offer as compared to the CB Amendment Deed which does not bring any immediate dilution effect on the shareholding of the Company. The Company discussed with a financial institution on conducting equity placement, however due to the recent pessimistic market sentiment on PRC developers, a high discount on the placing price is required. Further, based on the current market capitalisation of the Company, the Directors consider it would be extremely difficult for the Company to raise sufficient fund by equity financing.

Having considered the above factors, the Board considers that entering into the CB Amendment Deed is a more feasible and realistic option for the Group to improve its short-term liquidity position and avoid immediate dilution effect on the shareholding of the Independent Shareholders although the Group may still have a relatively high gearing ratio in the short run. The Board considers that the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole and it will provide financial flexibility to the Group in managing its future cash flow with the extension of the maturity date of the Convertible Bonds.

As at the Latest Practicable Date, the Company has no intention to carry out any equity fund-raising activity(ies) in the next 12 months and will, as and when appropriate, keep the Shareholders and potential investors informed of any development in compliance with the Listing Rules.

REASONS AND BENEFITS FOR THE PROPOSED CB AMENDMENTS

The Company is an investment holding company. The Group is principally engaged in property development, and holding of properties for investment and rental purposes.

The Convertible Bonds would have matured on 30 January 2024 unless extended. As at the Latest Practicable Date, the Convertible Bonds have not been redeemed or converted in whole or in part. If the Company were to redeem the Convertible Bonds in full on its original maturity date, the expected cash outflow of the Company in this regard would have amounted to approximately HK\$505,855,000. Having considered the direct and immediate negative impact of full redemption of the Convertible Bonds on the Company's liquidity and financial position, the Company has negotiated with Primary Partner to explore possible solutions, including but not limited to the potential extension of the maturity date of the Convertible Bonds with certain adjustments to the existing terms.

LETTER FROM THE BOARD

Considering the principal amount of the Promissory Note shall be increased for HK\$200,000,000 under the PN Amendments, the principal amount of the Convertible Bonds shall be reduced accordingly in order to keep the aggregate principal amount of the Convertible Bonds and the Promissory Note the same. Since the Existing Conversion Price of the Convertible Bonds is much higher than the prevailing market price of the Shares, the Revised Conversion Price will serve as an incentive for Primary Partner to exercise the conversion rights attached to the Convertible Bonds to convert the Convertible Bonds into the Conversion Shares, thereby alleviating the financial pressure on the Company to repay the Convertible Bonds on maturity and could facilitate the Company in obtaining alternative source of finance to improve the financial position of the Company. In addition, although the interest rate of the Convertible Bonds shall be raised to 2% per annum under the Proposed CB Amendments, it is still a relatively low interest rate. Having considered (i) the prevailing interest rates of the Group's bank and other borrowings of between approximately 2.8% and 10.9% per annum which are higher than the revised interest rate under the Proposed CB Amendments; and (ii) the additional annual interest expense of HK\$3,000,000 without security (as compared with the additional annual interest expense of over HK\$12,000,000 under a proposed secured bank loan for a term of 8 years, to which the Directors consider the Convertible Bonds have a lower cost of borrowing), the Directors are of the view that the increment of interest rate to 2% per annum under the Proposed CB Amendments is still fair and reasonable. Under the revised terms of the Convertible Bonds as revised and amended by the CB Amendment Deed, the early redemption right initially granted to the Company will remain effective and Primary Partner will have the right to require the Company to redeem all of the outstanding Convertible Bonds before maturity thereof. Such early redemption right, which is part and parcel of the Proposed CB Amendments after arm's length negotiations between the parties, has been granted to Primary Partner in exchange for extending the maturity date of the Convertible Bonds for five years.

In this regard, the Directors believe that the Proposed CB Amendments would allow the Group to continue to refinance its debts under the Convertible Bonds on normal commercial terms and enable the Company to retain flexibility in the deployment of its funds for general working capital, which is of paramount importance to the Company's operations amidst the challenging market environment.

The Company considers the Proposed CB Amendments will allow the Group to have additional time to develop its business instead of full repayment of the Convertible Bonds within a relatively short period. The Proposed CB Amendments were arrived after arm's length negotiation between the Company and Primary Partner, with reference to, among others, (i) the Company's past performance; (ii) the Company's current financial and cash position, (iii) the prevailing market price of the Shares and (iv) recent market conditions.

For the year ended 31 December 2022 ("FY2022"), the Group recorded a total revenue of approximately RMB3,449.0 million, representing an increase of approximately 17.8% as compared to approximately RMB2,927.6 million for the year ended 31 December 2021 ("FY2021"). The contracted property sales of the Group for FY2022 was approximately RMB2,277.0 million with contracted gross floor area ("GFA") of approximately 209,343 square meters ("sq. m."), representing a decrease of approximately 58.4% in contracted sales and approximately 57.0% in contracted GFA in comparison with FY2021. According to public information available, the saleable area of commercial real estate in China was 1.12 billion sq.m. for the year ended 31 December 2023, a year-on-year decrease of 8.5%, of which the saleable area of residential properties decreased by 8.2%. As a pillar industry of the national economy, the real estate market experienced a significant cool down in 2023, increasing the pressure of

LETTER FROM THE BOARD

market adjustment. In addition, as at 30 June 2023, the Group had cash and bank deposits in the sum of approximately RMB607.6 million, of which approximately RMB247.8 million were restricted or pledged and approximately RMB359.8 million were free for use. The Group's existing free cash on hand will be insufficient for full redemption of the Convertible Bonds, not to mention for repayment of its aggregate short-term bank and other borrowings when they fall due. Having considered the above, the Directors are of the view that it is necessary to extend the Convertible Bonds in order to retain more working capital for the operation of the Group. On the other hand, the prevailing market prices of the Shares have been following an overall persistent sliding trend for nearly three months up to the date of the CB Amendment Deed. In order to giving incentive to Primary Partner to exercise the conversion rights attached to the Convertible Bonds to convert the Convertible Bonds into the Conversion Shares, the Directors are of the view that the conversion price has to be revised to a price closer to the prevailing market prices of the Shares.

Having considered the above, the Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) considers that the CB Amendment Deed and the transactions contemplated thereunder are fair and reasonable and the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 5,088,207,546 Shares in issue. The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full conversion of the Convertible Bonds (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and upon the full conversion of the Convertible Bonds and that no interest of the Convertible Bonds would be settled and paid to Primary Partner between the Latest Practicable Date and the Extended CB Maturity Date):

	(i) As at the Latest Practicable Date		(ii) Upon full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate shareholding percentage (%)</i>	<i>Number of Shares</i>	<i>Approximate shareholding percentage (%)</i>
Shareholders				
United Century <i>(Note 1)</i>	2,581,054,801	50.7	2,581,054,801	30.7
King Partner <i>(Note 2)</i>	320,414,201	6.3	320,414,201	3.8
Primary Partner <i>(Note 3)</i>	485,436,893	9.5	3,818,770,226	45.3
Public Shareholders	<u>1,701,301,651</u>	<u>33.5</u>	<u>1,701,301,651</u>	<u>20.2</u>
Total	<u>5,088,207,546</u>	<u>100.0</u>	<u>8,421,540,879</u>	<u>100.0</u>

LETTER FROM THE BOARD

Notes:

1. United Century is a company incorporated in the BVI which is wholly-owned by Mr. Guo. Mr. Guo is also the sole director of the United Century. United Century held 2,581,054,801 Shares.
2. King Partner is a company incorporated in the BVI which is wholly-owned by Mr. Guo. Mr. Guo is also the sole director of King Partner. King Partner held 320,414,201 Shares.
3. Primary Partner is a company incorporated in the BVI which is wholly-owned by Mr. Guo. Mr. Guo is also the sole director of Primary Partner. Primary Partner held 485,436,893 Shares.
4. For indicative purposes only, as the number of Conversion Shares to be issued upon the conversion of the Convertible Bonds are subject to: (i) the minimum public float requirement of the Listing Rules; (ii) no mandatory general offer obligation under Rule 26 of the Takeovers Code being triggered on the part of the holder of the Convertible Bonds.
5. Percentage figures are rounded to one decimal place, and certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund-raising activities in the past 12 months immediately prior to the date of this announcement.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group is principally engaged in property development, and holding of properties for investment and rental purposes.

INFORMATION ON PRIMARY PARTNER

Primary Partner is a company incorporated in the British Virgin Islands with limited liability, and is wholly held by Mr. Guo as at the Latest Practicable Date, hence a connected person of the Company. Primary Partner is principally engaged in investment holding.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, has been established to give recommendations to the Independent Shareholders on the CB Amendment Deed and the transactions contemplated thereunder.

The Company has, with the approval of the Independent Board Committee, appointed VBG Capital Limited as the Independent Financial Adviser in accordance with the Listing Rules to advise and give recommendation to the Independent Board Committee and the Independent Shareholders in respect of the CB Amendment Deed and the transactions contemplated thereunder.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Primary Partner is wholly owned by Mr. Guo, the chairman of the Company and an executive Director. Primary Partner is thereby a connected person of the Company under the Listing Rules and the Proposed CB Amendments constitutes a connected transaction of the Company which is subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The Company has made an application for the approval of the Proposed CB Amendments.

PROPOSED ADOPTION OF NEW BYE-LAWS

The Board proposes to amend the Existing Bye-laws for the purposes of, among others, (i) updating and bringing the Existing Bye-laws in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023; and (ii) better aligning the amendments of the Existing Bye-laws for housekeeping purposes with the provisions of the Listing Rules and the applicable laws of Bermuda (collectively, the **"Proposed Bye-laws Amendments"**). Details of the Proposed Bye-laws Amendments are set out in Appendix II to this circular.

The New Bye-laws are written in English. There is no official Chinese translation in respect thereof. Therefore, the Chinese version of the New Bye-laws will be purely a translation only. Should there be any discrepancy, the English version shall prevail.

The legal advisers to the Company as to Hong Kong laws have confirmed that the Proposed Bye-laws Amendments comply with the requirements of the Listing Rules and the legal advisers to the Company as to the laws of Bermuda have confirmed that the Proposed Bye-laws Amendments do not violate the applicable laws of Bermuda. The Company confirms that there is nothing unusual about the Proposed Bye-laws Amendments for a company listed on the Stock Exchange.

The Proposed Bye-laws Amendments and adoption of the New Bye-laws shall be subject to the passing of a special resolution by the Shareholders at the forthcoming SGM, and the New Bye-laws shall become effective upon the passing of such special resolution at the SGM.

SGM AND PROXY ARRANGEMENT

The notice convening the SGM is set out on pages SGM-1 to SGM-4 of this circular. At the SGM, resolutions will be proposed to approve, inter alia, (i) the CB Amendment Deed and the transactions contemplated thereunder; and (ii) the Proposed Bye-laws Amendments and the proposed adoption of the New Bye-laws. A form of proxy for use at the SGM is enclosed.

LETTER FROM THE BOARD

As at the Latest Practicable Date, United Century held 2,581,054,801 Shares, representing approximately 50.73% of the issued share capital of the Company, King Partner held 320,414,201 Shares, representing approximately 6.30% of the issued share capital of the Company and Primary Partner held 485,436,893 Shares, representing approximately 9.54% of the issued share capital of the Company. United Century, King Partner and Primary Partner, all wholly-owned by Mr. Guo, hold and have control over the voting right in respect of these Shares will therefore be required to abstain from voting on the ordinary resolution in relation to the CB Amendment Deed and the transactions contemplated thereunder to be proposed at the SGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the SGM in respect of the CB Amendment Deed and the transactions contemplated thereunder. Mr. Guo has also abstained from voting in respect of the relevant Board resolution relating to the CB Amendment Deed and the transactions contemplated thereunder. Save as Mr. Guo, none of other Directors has a material interest in the CB Amendment Deed and the transactions contemplated thereunder which would require them to abstain from voting on the relevant Board resolution. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the special resolution to approve the Proposed Bye-laws Amendments and the proposed adoption of the New Bye-laws.

Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the general meetings must be taken by poll. The chairman will therefore demand a poll for every resolution put to the vote of the SGM.

On a poll every shareholder present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy, shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or installments shall be treated for the purposes of the Existing Bye-laws as paid on the Share). On a poll, a shareholder entitled to more than one vote needs not, if he votes, use all his votes or cast all his votes in the same way.

An announcement on the results of the vote by way of poll will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

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 to omission of which would make any statement herein or this circular misleading.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders in relation to the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), and the letter from VBG set out on pages 24 to 41 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Board (including the independent non-executive Directors whose recommendation in relation to the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) is set out in the letter from the Independent Board Committee contained in this circular) considers that (i) the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole; and (ii) the Proposed Bye-laws Amendments and the proposed adoption of the New Bye-laws are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends (i) the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the CB Amendment Deed and the transactions contemplated thereunder; and (ii) the Shareholders to vote in favour of the special resolution to be proposed at the SGM to approve the Proposed Bye-laws Amendments and the proposed adoption of the New Bye-laws.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中国三迪
CHINA SANDI

CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

22 February 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS**

We refer to the circular of the Company dated 22 February 2024 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders in connection with the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate). VBG has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from VBG as set out in the Circular.

Having considered the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), and after taking into account the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the “Letter from VBG”, contained in the Circular, we consider that (i) the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Chan Yee Ping, Michael
*Independent non-executive
Director*

Mr. Lam Wai Fung, Dominic
*Independent non-executive
Director*

Ms. Wong Wai Man
*Independent non-executive
Director*

LETTER FROM VBG

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CB Amendment Deed for the purpose of inclusion in this circular.



21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

22 February 2024

*To: The independent board committee and the independent shareholders
of China Sandi Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED AMENDMENTS TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the CB Amendment Deed, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 22 February 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

References are made to the announcements of the Company dated 21 September 2018 and 30 January 2019, and the circular of the Company dated 26 December 2018. On 21 September 2018, Grand Supreme (as purchaser), Primary Partner (as vendor) and Mr. Guo (as guarantor) entered into the Agreement, pursuant to which Grand Supreme has conditionally agreed to acquire, and Primary Partner has conditionally agreed to sell the entire issued share capital of All Excel (the “**Acquisition**”). On 30 January 2019, all conditions precedent to the Agreement were fulfilled and completion of the Acquisition took place on 30 January 2019. The Convertible Bonds in principal amount of HK\$500 million were issued by the Company to Primary Partner on 30 January 2019 to settle part of the consideration for the Acquisition.

LETTER FROM VBG

As at the date of the CB Amendment Deed (the “**Date of the Deed**”), the Convertible Bonds had not been redeemed or converted in whole or in part. As such, the entire principal amount of the Convertible Bonds remained outstanding. As the original maturity date of the Convertible Bonds is 30 January 2024, the Company and Primary Partner thereby agree to extend the maturity date and make certain amendments and additions to the CB Terms and Conditions. Save for the Proposed CB Amendments, all other CB Terms and Conditions shall remain unchanged.

As referred to in the Letter from the Board, as Primary Partner is wholly-owned by Mr. Guo, who is the Chairman of the Board and the controlling shareholder of the Company, Primary Partner is a connected person of the Company. Therefore, the entering into of the CB Amendment Deed constitutes a connected transaction for the Company, and is subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Chan Yee Ping, Michael, Mr. Lam Wai Fung, Dominic and Ms. Wong Wai Man (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the CB Amendment Deed pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion with regard to the CB Amendment Deed, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the SGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

LETTER FROM VBG

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, Primary Partner, Mr. Guo or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CB Amendment Deed. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CB Amendment Deed, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the CB Amendment Deed

Business review of the Group

The Group is principally engaged in property development, and holding of properties for investment and rental purposes.

LETTER FROM VBG

Set out below is a summary of the consolidated financial information on the Group for each of the six months ended 30 June 2023 and 2022 and the two years ended 31 December 2022 as extracted from the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”) and its annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”), respectively:

	For the six months ended 30 June 2023 <i>(unaudited) RMB'000</i>	For the six months ended 30 June 2022 <i>(unaudited) RMB'000</i>	For the year ended 31 December 2022 <i>(audited) RMB'000</i>	For the year ended 31 December 2021 <i>(audited) RMB'000</i>
Revenue	1,427,425	539,321	3,448,968	2,927,554
Profit for period/year	145,666	107,242	14,276	205,418

In 2022, the Group recorded revenue of approximately RMB3,449.0 million, representing a surge of approximately 17.8% as compared to approximately RMB2,927.6 million in 2021. Regardless of the said increase in revenue, owing to a substantial one-off loss on disposal of subsidiaries of approximately RMB402.0 million, the Group’s net profit for the year decreased by approximately 93.1% from approximately RMB205.4 million in 2021 to approximately RMB14.3 million in 2022.

For the first half of 2023, the Group recorded revenue of approximately RMB1,427.4 million, representing a surge of approximately 164.7% as compared to approximately RMB539.3 million for the first half of 2022. During the same said period, the Group also recorded an increase in profit for the period of approximately 35.8% from approximately RMB107.2 million for the first half of 2022 to approximately RMB145.7 million for the first half of 2023.

According to the 2022 Annual Report, the Group’s revenue is primarily derived from property sales, which contributed approximately 95.6% of the total revenue in 2022. As at 30 June 2023, the Group had 17 property projects under development which are situated in different cities in the PRC. Key cities include Shanghai, Fuzhou, Xi’an, Baoji and Hangzhou. The Group primarily focuses on the development of residential properties, as well as residential and commercial complex properties, including apartments, offices, retail shops, villas, etc.

LETTER FROM VBG

The Group's liquidity and debt position

The table below summarises the Group's unaudited liquidity and debt position as at 30 June 2023 as extracted from the 2023 Interim Report:

	As at 30 June 2023
	<i>RMB'000</i>
Current assets	
– Restricted/Pledged bank deposits	247,763
– Bank balances and cash	359,824
Current liabilities	
– Bank and other borrowings (due within one year)	2,416,736
– The Convertible Bonds	442,569
– Amount due to a director	99,626
– Amounts due to related companies	63,453
Non-current liabilities	
– Bank and other borrowings (due after one year)	4,231,410
– The Promissory Note	545,235
Gearing ratio (ratio of net debts over total equity)	154.3 times

Cash and bank deposits

As at 30 June 2023, the Group had cash and bank deposits in the sum of approximately RMB607.6 million, of which approximately RMB247.8 million are restricted or pledged and approximately RMB359.8 million are free for use.

Bank and other borrowings

As at 30 June 2023, the Group had total bank and other borrowings of approximately RMB6,648.1 million, of which approximately RMB2,416.7 million are repayable within one year and approximately RMB4,231.4 million are repayable beyond one year. With reference to the 2023 Interim Report, the Group's bank and other borrowings bear interest rates ranging from approximately 2.8% to 10.9% per annum.

Based on our further review of the 2023 Interim Report, it is noted that as at 30 June 2023, the Group had certain investment properties, inventories of properties and property, plant and equipment with an aggregate carrying value of approximately RMB17,170.4 million which had been pledged to secure the Group's bank borrowings, representing over 70% of their total amounts.

LETTER FROM VBG

Amount due to a director and amounts due to related companies

With reference to the 2023 Interim Report, the amount due to a director of approximately RMB99.6 million is non-trade related, interest-free and repayable on demand; whereas the amounts due to related companies are non-trade related, interest-free and repayable on demand.

The Promissory Note

As at 30 June 2023, the Company had outstanding Promissory Note in principal amount of HK\$600 million. As referred to in the announcement of the Company dated 30 January 2024, pursuant to the PN Amendment Deed, the Company and Primary Partner have agreed that, among other things, (i) the principal amount of the Promissory Note shall be increased from HK\$600 million to HK\$800 million; (ii) the maturity date of the Promissory Note shall be extended from 30 January 2024 to 30 January 2029; and (iii) the interest rate of the remaining term of the Promissory Note shall be set at 6% per annum.

The Convertible Bonds

As aforementioned, the Convertible Bonds in principal amount of HK\$500 million were issued by the Company to Primary Partner on 30 January 2019 as part of the consideration for the Acquisition. The Convertible Bonds bear an interest of 1% per annum and are convertible into a maximum of 1,213,592,233 Conversion Shares at the Existing Conversion Price of HK\$0.412 per Conversion Share. As the Convertible Bonds have not been redeemed or converted in whole or in part, their entire principal amount remained outstanding and were repayable on 30 January 2024, i.e. the original maturity date.

On 30 January 2024, the Company and Primary Partner have entered into the CB Amendment Deed for the Proposed CB Amendments. Details of the principal terms of the CB Amendment Deed will be discussed under the section headed “Principal terms of the CB Amendment Deed” of this letter of advice.

Reasons for and possible benefits of the Proposed CB Amendments

The Convertibles Bonds in principal amount of HK\$500 million would mature on 30 January 2024 unless extended. As advised by the Directors, if the Company were to redeem the Convertible Bonds in full, the expected cash outflow of the Company would amount to approximately HK\$505.9 million.

Upon our enquiry with the Directors, the Group’s liquidity and debt position stayed relatively stable as at the Latest Practicable Date as compared to the interim period end of 2023 as presented under the previous sub-section of this letter of advice. That is to say, the Group’s existing free cash on hand will be insufficient for full redemption of the Convertible Bonds, not to mention for repayment of its aggregate short-term bank and other borrowings when they fall due.

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In this relation, we have further enquired into the Directors as to whether the Company has considered conducting fund-raising activities to obtain new funds for the Group. As represented by the Directors, amidst the current tight liquidity and poor economic environment, a majority of the existing bank and other borrowings of the Group are project bank loans with land, buildings and investment properties of the Group as security and it would be difficult for the Company to obtain new bank loans with preferable terms without security.

As for equity financing, say the Company conducts share placement under general mandate in accordance with the Listing Rules, given the Company's existing market capitalization of less than HK\$500 million (20% of which means around HK\$100 million) and the recent pessimistic market sentiment, it is expected that the Company shall be unable to raise for proceeds of comparable sizable amount as the principal amount of the Convertible Bonds to settle its imminent funding need. Besides, in order to attract Independent Shareholders to participate in rights issue and/or open offer, the Company expects to offer a higher discount on the issue price. As we noted from, as far as we are aware of, an exhaustive list of 14 rights issues and open offers announced by listing companies in Hong Kong during the period from 1 December 2023 up to the Date of the Deed (being the approximate 2-month period prior to and including the Date of the Deed), the issue price of 12 of them represented discount to their respective closing share price.

In view of that (i) the amount required for full redemption of the Convertible Bonds (i.e. HK\$500 million) is substantial and far exceeds the Group's existing free cash on hand; (ii) the Group has already used up most of (over 70% as disclosed under the sub-section headed "The Group's liquidity and debt position" of this letter of advice) its relevant assets as pledges for bank and other borrowings; and (iii) the prevailing interest rates of the Group's bank and other borrowings of between approximately 2.8% and 10.9% per annum are higher than the Revised Interest Rate (as being defined under the latter section of this letter of advice), we concur with the Directors that it would be rather implausible for the Group to obtain additional non-project bank loans at interest costs lower than the Revised Interest Rate.

At the same time, we also concur with the Directors that it would be impractical for the Company to raise for massive amount of proceeds from equity financing activities judging from the historical low trading liquidity of the Shares. Based on our study of the trading performance of the Shares from 1 January 2023 up to the Last Trading Day (the "Review Period"), the number of Shares traded was above 0.01% of the total number of Shares in public hand for only four trading days out of the total 262 trading days during the Review Period.

Furthermore, as the Revised Conversion Price of HK\$0.090 per Conversion Share represents a much less premium over the prevailing market price of the Shares when compared to the Existing Conversion Price of HK\$0.412 per Conversion Share, the chance of conversion of the Convertible Bonds becomes less remote and would give incentive to Primary Partner to consider the option of converting all or part of the Convertible Bonds subject to the Conversion Restrictions (as being defined under the latter section of this letter of advice). Should Primary Partner exercise the conversion right attached to the Convertible Bonds, notwithstanding that it would cause dilution from approximately 33.5% to 20.2% to the shareholdings of the existing public Shareholders in the Company (for details, please refer to the section headed "Effect on the shareholding structure of the Company" of the Letter from the Board), it would also (i) alleviate the financial pressure on the Company to redeem the Convertible Bonds on maturity; and (ii) improve the financial position of the Group by capitalising liabilities. Moreover, as being noted from the table under the paragraph headed "Comparable transactions analysis" of this letter of advice, the shareholding dilution effect of 12 out of the total 21 Comparables (as being defined under the same paragraph) was more than ten percent point. Therefore, we consider the possible dilution effect of the Convertible Bonds to be acceptable.

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From our independent research regarding the PRC real estate market over the website of the National Bureau of Statistics (www.stat.gov.cn), from January to November 2023, the national real estate investment was approximately RMB10,404.5 billion, down by approximately 9.4% year-on-year, of which residential investment was approximately RMB7,885.2 billion, down by approximately 9.0% year-on-year. Over the same period, the total floor space of commercial buildings sold was approximately 1,005.1 million square meters, down by approximately 8.0% year-on-year, of which the total floor space of residential buildings sold was down by approximately 7.3%. The total sales of commercial buildings were approximately RMB10,531.8 billion, down by approximately 5.2% year-on-year, of which the sales of residential buildings were down by approximately 4.3%.

From January to November 2023, the funds in place for real estate development enterprises were approximately RMB11,704.4 billion, a year-on-year decrease of approximately 13.4%. Among them, domestic loans amounted to approximately RMB1,422.7 billion, down by approximately 9.8%, foreign capital amounted to approximately RMB4.2 billion, down by approximately 35.1%, self-raised funds amounted to approximately RMB3,850.5 billion, down by approximately 20.3%, deposits and advance receipts amounted to approximately RMB3,958.3 billion, down by approximately 10.9%, and personal mortgage loans amounted to approximately RMB1,998.2 billion, down by approximately 8.1%.

Against the backdrop of the PRC real estate market downturn as just illustrated, we concur with the Directors that the Proposed CB Amendments, which would allow the Company to retain flexibility in the deployment of its funds for general working capital, are of paramount importance to the Group's operations and business development under the challenging market environment.

Taking into account the reasons for and possible benefits of the Proposed CB Amendments as highlighted above, we concur with the Directors that the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole although they are not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the CB Amendment Deed

Pursuant to the CB Amendment Deed, the CB Terms and Conditions will be amended to the effect that:

- (i) the principal amount of the Convertible Bonds shall be changed from HK\$500 million to HK\$300 million;
- (ii) the maturity date shall be changed from 30 January 2024 to 30 January 2029;
- (iii) the interest rate shall be changed from 1% to 2% per annum (the "**Revised Interest Rate**");

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- (iv) a right shall be granted to Primary Partner to require the Company to redeem all of the outstanding Convertible Bonds; and
- (v) the conversion price of the Convertible Bonds shall be changed from HK\$0.412 to HK\$0.090 per Conversion Share.

Save for the above Proposed CB Amendments, all other CB Terms and Conditions shall remain unchanged.

Reduction of principal amount

Considering the principal amount of the Promissory Note shall be increased by HK\$200 million under the PN Amendments, the principal amount of the Convertible Bonds shall be reduced accordingly in order to keep the aggregate principal amount of the Promissory Note and the Convertible Bonds the same. Furthermore, with the change of conversion price of the Convertible Bonds from HK\$0.412 to HK\$0.090 per Conversion Share, the reduction of principal amount of the Convertible Bonds would help to reduce the maximum number of Conversion Shares upon full conversion of the Convertible Bonds, thereby minimizing the possible dilution to the shareholdings of the existing public Shareholders in the Company.

The Extended CB Maturity Date

As concluded under the sub-section headed “Reasons for and possible benefits of the Proposed CB Amendments” of this letter of advice, the Group’s existing free cash on hand shall be insufficient for full redemption of the Convertible Bonds. The Directors have evaluated the feasibility of other debt financing and equity financing alternatives available to the Group but found them not plausible and/or impracticable. Thus, the extension of the maturity date of the Convertible Bonds from 30 January 2024 to 30 January 2029 would relieve the imminent pressure on the Company to seek urgent funding to redeem the outstanding Convertible Bonds. We are of the opinion that the maturity of convertible bonds/notes hinges more on the particular situation/requirement of the issuer instead of the general market condition. Upon our enquiry with the Directors, the Group had considerable amount (over RMB5 billion) of bank and other borrowings that are repayable within five years. Hence, the Extended CB Maturity Date would ease the Group’s financial burden in the short to medium run.

The Revised Interest Rate

As being noted from the table under the paragraph headed “Comparable transactions analysis” of this letter of advice, 13 out of the total 21 Comparables carried interest rates of higher than 2% per annum, with the highest being 9% per annum. For this reason, together with the fact that the Revised Interest Rate is significantly lower than the interest rate of (i) the bank and other borrowings of the Group of between approximately 2.8% and 10.9% per annum; and (ii) the Promissory Note of 6% per annum, we are of the view that the Revised Interest Rate is fair and reasonable so far as the Independent Shareholders are concerned.

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The right of early redemption

Under the revised CB Terms and Conditions, the early redemption right initially granted to the Company shall remain effective and Primary Partner shall have the right to require the Company to redeem all of the outstanding Convertible Bonds before the Extended CB Maturity Date. As advised by the Directors, such early redemption right is part and parcel to the Proposed CB Amendments after arm's length negotiations between the parties, and has been granted to Primary Partner in exchange for extending the maturity date of the Convertible Bonds for five years. As further advised by the Directors, given the fact that Mr. Guo is the Chairman of the Board and the controlling shareholder of the Company, it is reasonable to believe that he would act in the best interest of the Company and exercise such early redemption right, if required, in a cautious manner.

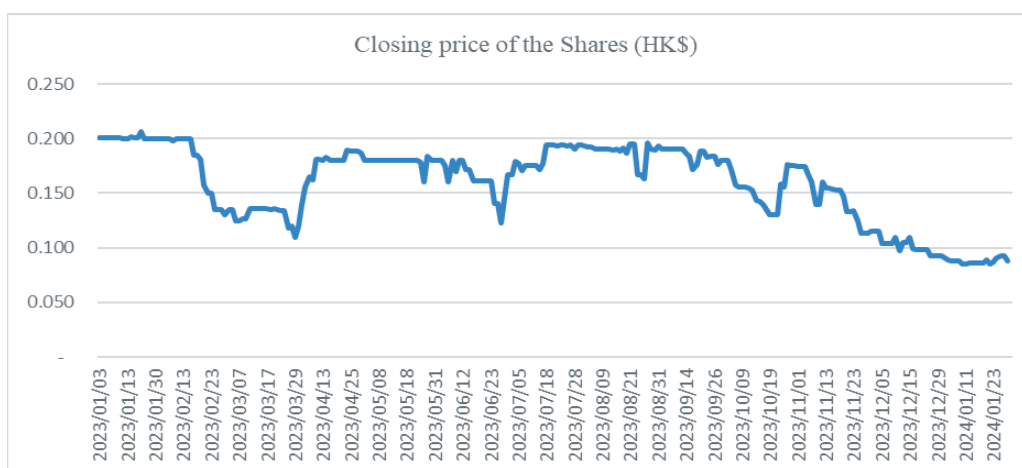
Having balanced against the possible benefits of the extension of the maturity date of the Convertible Bonds, we are of the opinion that the grant of the early redemption right to Primary Partner is acceptable.

The Revised Conversion Price

To assess the fairness and reasonableness of the Revised Conversion Price, we have performed the following analyses:

Review on historical Share prices

The chart below demonstrates the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period, being the approximate 1-year period before signing of the CB Amendment Deed to provide Independent Shareholders with information regarding movement of the daily closing prices of the Shares during the latest full calendar year:



Source: the Stock Exchange website (www.hkex.com.hk)

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As depicted by the above chart, the open market prices of the Shares had generally stayed at around HK\$0.200 per Share during the period from January 2023 to mid-February 2023. On 16 February 2023, there had been an abrupt fall in the Share price from HK\$0.200 per Share on the previous trading day to HK\$0.185 per Share. Thereafter, the open market prices of the Shares plummeted to the floor of HK\$0.110 per Share on 29 March 2023. On 30 March 2023, the Share price jumped from the previous low of HK\$0.110 per Share to HK\$0.120 per Share. Such sudden jump continued until the Share price reached the peak of HK\$0.189 per Share around three weeks later on 24 April 2023. In the following two months from 25 April 2023 to 28 June 2023, the open market prices of the Shares plummeted abruptly again to HK\$0.123 per Share. The Share price rose afterwards and stayed at around HK\$0.190 per Share in general from mid-July 2023 to September 2023 until the third abrupt fall occurred in early-October 2023. After that, the Share price rose from the floor of HK\$0.130 per Share on 19 October 2023, 20 October 2023 and 24 October 2023 to HK\$0.176 per Share on 27 October 2023, upon which it started to follow an obvious overall persistent sliding trend for nearly three months up to the Date of the Deed, on which the Share price closed at HK\$0.086 per Share.

Upon our enquiry with the Directors, the Directors confirmed that the Board was not aware of any happenings which might have led to the abrupt movement of the open market Share prices as aforementioned.

Revised Conversion Price comparison

We noted that the Revised Conversion Price represents:

- (i) a premium of approximately 4.65% over the closing price of HK\$0.0860 per Share as quoted on the Stock Exchange on the Date of the Deed;
- (ii) a discount of approximately 0.22% to the average closing price of approximately HK\$0.0902 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Date of the Deed;
- (iii) a premium of approximately 1.81% over the average closing price of approximately HK\$0.0884 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Date of the Deed; and
- (iv) a discount of approximately 91.96% to the consolidated unaudited net asset value of the Company as at 30 June 2023 of approximately RMB1.0186 per Share (equivalent to approximately HK\$1.12 per Share) (based on the unaudited consolidated net asset value of the Company as at 30 June 2023 of RMB5,182,770,000 and 5,088,207,546 Shares in issue as at the Latest Practicable Date).

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As being elaborated under the forthcoming paragraph, it is normal in market issues of convertible bonds/notes to use the prevailing market share price as determination basis for the conversion price, that is also the case of the Revised Conversion Price which was set close to the prevailing closing prices of the Shares on the Date of the Deed. On the other hand, as we noted that the Revised Conversion Price represents a discount of approximately 91.96% to the latest net asset value of the Company per Share or an implied price to book ratio of approximately 0.08 times, we have attempted to further research on the price to book ratio of the Hong Kong listed peers of the Company, i.e. companies engaging in the same industry (being property development) as the Company. As illustrated under the sub-section headed “Reasons for and possible benefits of the Proposed CB Amendments” of this letter of advice, the PRC real estate market is experiencing a downturn with poorer performance and tighter liquidity. Based on the relevant data released by AASTOCKS, a popular FinTech platform, at <http://www.aastocks.com/en/stocks/analysis/peer.aspx?symbol=00910>, there are an exhaustive list of 61 Hong Kong listed peers of the Company with market capitalisation of below HK\$500 million (Note: the market capitalisation of the Company was below HK\$500 million as at the Latest Practicable Date). The recent price to book ratio of 25 of them is below 0.08 times. With this being the case, the implied price to book ratio of the Revised Conversion Price is reasonable. We consider such price to book ratio comparison to be meaningful given that the companies under comparison are engaging in the same industry and of similar size of market capitalisation.

Comparable transactions analysis

To perform the comparable transactions analysis, we have searched on an exhaustive basis and identified, to the best of our knowledge and as far as we are aware of, 21 transactions which involved the allotment and issue of convertible bonds/notes to independent third parties or connected persons by listed companies in Hong Kong (the “**Comparables**”) from 1 September 2023 up to the Date of the Deed (being the approximate 5-month period prior to and including the Date of the Deed). Our research covers announced issues of convertible bonds/notes to both independent third parties and connected parties by listed companies in Hong Kong such that our comparable analysis would be more comprehensive and could better represent the overall prevailing market sentiment. Besides, we chose the said 5-month research period due to its recency

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before signing of the CB Amendment Deed to ensure that the conversion price and interest rate of the Comparables were determined under similar market condition as those under the Proposed CB Amendments. We consider the Comparables to be fair and representative. The table below summarizes our relevant findings:

Announcement date	Stock code	Company name	Term	Annual interest rate	Premium/ (Discount) of the conversion price over/to closing price per share on the last trading day prior to/on the date of the relevant announcement/ agreement	Possible dilution effect on the independent shareholders	Independent third party or connected person?
26 January 2024	1039	Changyou Alliance Group Limited	Three years	8%	342%	From 50.58% to 43.39%	Connected person
24 January 2024 and 23 January 2024	7	Wisdom Wealth Resources Investment Holding Group Limited	One year	HSBC's Hong Kong Dollar Best Lending Rate, being 5.875% as at the date of the relevant announcement	334.8%	From 27.86% to 26.24%	Independent third party
15 January 2024	8356	CNC Holdings Limited	Up to 9 December 2025	0.8%	1,533.3%	From 69.0% to 48.0%	Connected person
3 January 2024	8370	Zhi Sheng Group Holdings Limited	Two years	0%	45.32%	From 61.82% to 51.52%	Independent third party
2 January 2024	8613	Oriental Payment Group Holdings Limited	Extension of one year	12%	Nil	From 39.74% to 36.20%	Connected person
20 November 2023	2772	Zhongliang Holdings Group Company Limited	Up to 1 July 2027	3%	321.1%	From 19.55% to 15.59%	Independent third party

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Announcement date	Stock code	Company name	Term	Annual interest rate	Premium/ (Discount) of the conversion price over/to closing price per share on the last trading day prior to/on the date of the relevant announcement/ agreement	Possible dilution effect on the independent shareholders	Independent third party or connected person?
16 November 2023	254	National United Resources Holdings Limited	24 months	6%	33.72%	From 45.05% to 37.88%	Independent third party
16 November 2023	310	Prosperity Investment Holdings Limited	Two years	8%	10.67%	From 73.56% to 58.91%	Independent third party
5 November 2023	6616	Global New Material International Holdings Limited	Two years	9%	99.48%	From 50.85% to 48.83%	Independent third party
16 October 2023	959	Century Entertainment International Holdings Limited	36 months	0%	13.27%	From 51.29% to 25.97%	Connected person
29 September 2023	496	Kasen International Holdings Limited	18 months	5%	20%	From 43.69% to 32.18%	Connected person
28 September 2023	707	Asia Television Holdings Limited	Two years	8%	104.08%	From 49.46% to 38.80%	Independent third party
25 September 2023	821	Value Convergence Holdings Limited	Two years	8%	Nil	From 84.26% to 70.55%	Independent third party

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Announcement date	Stock code	Company name	Term	Annual interest rate	Premium/ (Discount) of the conversion price over/to closing price per share on the last trading day prior to/on the date of the relevant announcement/ agreement	Possible dilution effect on the independent shareholders	Independent third party or connected person?
22 September 2023	3321	Wai Hung Group Holdings Limited	Three years	0%	(97.98)%	From 38.08% to 6.19%	Independent third party
22 September 2023	1380	China Kingstone Mining Holdings Limited	36 months	2%	(44.2)%	From 83.78% to 62.31%	Independent third party
20 September 2023	362	China Zenith Chemical Group Limited	Two years	0%	14.3%	From 72.92% to 70.33%	Independent third party
19 September 2023	970	New Sparkle Roll International Group Limited	Three years	0%	5.6%	From 72.17% to 61.09%	Independent third party
15 September 2023	1942	MOG Digatech Holdings Limited	Three years	0%	(17.46)%	From 100% to 99.88%	Independent third party
13 September 2023	2221	New Concepts Holdings Limited	Two years	5%	Nil	From 66.15% to 64.15%	Independent third party
12 September 2023	1736	China Parenting Network Holdings Limited	6 months	8%	Nil	From 56.29% to 25.23%	Independent third party
11 September 2023	704	Huscoke Holdings Limited	Two years	8%	(0.56)%	From 49.42% to 10.06%	Connected person

Source: the Stock Exchange website (www.hkex.com.hk)

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We noted from the above table that the conversion price of the Comparables ranged from a discount of approximately 97.98% to a premium of approximately 1,533.3% to/over the respective closing price of their shares on the last trading day prior to/on the date of the relevant announcement/agreement. Excluding the seven possible outliers (being Changyou Alliance Group Limited, Wisdom Wealth Resources Investment Holding Group Limited, CNC Holdings Limited, Zhongliang Holdings Group Company Limited, Global New Material International Holdings Limited, Asia Television Holdings Limited and Wai Hung Group Holdings Limited) of which the discount/premium was over 80%, the conversion price of four of them (being the mode), as well as the median, were equivalent to their respective closing share price on the last trading day prior to/on the date of the relevant announcement/agreement, suggesting that it is normal in market issues of convertible bonds/notes to use the prevailing market share price as determination basis for the conversion price, that is also the case of the Revised Conversion Price which was set close to the prevailing closing prices of the Shares on the Date of the Deed.

Conclusion on the Revised Conversion Price

In light of that:

- (i) while the open market prices of the Shares experienced several abrupt movement during the Review Period, they have been following an obvious overall persistent sliding trend for nearly three months up to the Date of the Deed;
- (ii) the Revised Conversion Price is close to the prevailing market prices of the Shares which would give incentive to Primary Partner to consider the option of converting all or part of the Convertible Bonds subject to the Conversion Restrictions. Should Primary Partner exercise the conversion right attached to the Convertible Bonds, it would (a) alleviate the financial pressure on the Company to redeem the Convertible Bonds on maturity; and (b) improve the financial position of the Group by capitalising liabilities;
- (iii) based on our independent research, the recent price to book ratio of 25 of the 61 Hong Kong listed peers of the Company with market capitalisation of below HK\$500 million is below 0.08 times. With this being the case, the implied price to book ratio of the Revised Conversion Price of approximately 0.08 times is reasonable based on peer comparison; and
- (iv) out of the 21 Comparables, the conversion price of four of them (being the mode), as well as the median, were equivalent to their respective closing share price on the last trading day prior to/on the date of the relevant announcement/agreement, suggesting that it is normal in market issues of convertible bonds/notes to use the prevailing market share price as determination basis for the conversion price, that is also the case of the Revised Conversion Price which was set close to the prevailing closing prices of the Shares on the Date of the Deed,

we are of the view that the Revised Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

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3. Effect of the Proposed CB Amendments on the Group

No material change on operations of the Group

Under the CB Terms and Conditions, holder(s) of the Convertible Bonds shall not exercise the conversion rights attaching thereto to the extent that if immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules, or if such conversion will trigger a mandatory general offer under the Takeovers Code on the bondholder (collectively the “**Conversion Restrictions**”).

As at the Latest Practicable Date, Mr. Guo was the controlling shareholder of the Company holding 3,386,905,895 Shares (representing approximately 66.5% of the total issued share capital of the Company). Upon conversion of the Convertible Bonds at the Revised Conversion Price by Primary Partner to the extent that the Conversion Restrictions are met and assuming that there is no other change in the issued share capital of the Company as well as the existing shareholdings of Mr. Guo in the Company, Mr. Guo would remain as the controlling shareholder of the Company holding approximately 75% of the total issued share capital of the Company. Hence, the Directors are of the view that the Proposed CB Amendments would not affect the daily business operations of the Group.

Possible financial effects of the Proposed CB Amendments

As confirmed by the Directors, the Proposed CB Amendments would have no material financial effect on the Group, save for the annual interest expense of approximately HK\$6 million (calculated based on the outstanding principal amount of the Convertible Bonds of HK\$300 million times the Revised Interest Rate of 2%) to be incurred by the Company. In addition, it is expected that the total equity of the Group would be enlarged upon conversion of the Convertible Bonds by the bondholder(s) into Conversion Shares.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Proposed CB Amendments taking effect.

LETTER FROM VBG

RECOMMENDATION

Having taken into consideration the aforementioned principal factors and reasons for the CB Amendment Deed, we are of the opinion that (i) the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed CB Amendments are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the CB Amendment Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 19 years of experience in corporate finance industry.

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

(a) Directors' interests and short positions in the Shares and the underlying Shares and debentures of the Company and its associated corporations as at the Latest Practicable Date

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and/or its associated corporations 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 they were deemed or taken to have under such provisions of the SFO); (b) to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) to otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the “**Model Code**”), were as follows:

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Number of share options held (Note 3)	Approximate percentage of the issued capital (Note 4)
Mr. Guo	Interest of controlled corporation	3,386,905,895(L) (Note 1)	1,213,592,233(L) (Note 2)	–	90.41%
	Beneficial owner	–	–	2,000,000(L)	0.04%
Ms. Amika Lan E Guo	Beneficial owner	–	–	4,400,000(L)	0.09%

The letter “L” denotes the long position in the Shares, underlying Shares or share options.

Notes:

1. These Shares were held by the controlled corporations of Mr. Guo as follows:

Name of controlled corporation	No. of Shares
United Century	2,581,054,801
Primary Partner	485,436,893
King Partner	320,414,201
Total	3,386,905,895

All the above corporations were incorporated in the BVI with limited liability and wholly-owned by Mr. Guo.

2. This represents the maximum number of Shares to be issued upon exercise in full of the conversion rights attaching to the CBs issued to Primary Partner on 30 January 2019.
3. The share options were granted pursuant to the share option scheme adopted by the Company on 16 September 2011.
4. As at the Latest Practicable Date, the number of issued ordinary shares of the Company was 5,088,207,546, which has been used for the calculation of the approximate percentages.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests, in the long position or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations which was 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 in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests and short positions in the Shares and the underlying Shares as at the Latest Practicable Date

As at the Latest Practicable Date, so far as the Directors are aware, the following persons, other than the Directors or the chief executive of the Company, have beneficial interests or short positions in any Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Number of underlying Shares	Approximate percentage of issued capital (Note 3)
United Century	Beneficial owner	2,581,054,801(L)	–	50.73%
King Partner	Beneficial owner	320,414,201(L)	–	6.30%
Primary Partner	Beneficial owner	485,436,893(L)	1,213,592,233(L) (Note 2)	33.40%
Central Huijin Investment Ltd. P	Person having a security interest in shares (Note 1)	–	2,604,479,555(L)	51.19%
China Construction Bank Corporation	Person having a security interest in shares (Note 1)	–	2,604,479,555(L)	51.19%

The letter “L” denotes the long position in the Shares or underlying Shares.

Notes:

1. It represents security interest held by Chance Talent Management Limited (“**Chance Talent**”). Chance Talent’s intermediate holding company is CCB International Group Holdings Limited, and its ultimate holding company is Central Huijin Investment Limited.
2. This represents the maximum number of Shares to be issued upon exercise in full of the conversion rights attaching to the CBs issued to Primary Partner on 30 January 2019.
3. As at the Latest Practicable Date, the number of issued ordinary shares of the Company was 5,088,207,546, which has been used for the calculation of the approximate percentages.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has or is proposed to have any service contract with any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, save and except for Mr. Guo, none of the Directors nor their respective associates had engaged in any business that competes or may compete, directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

Mr. Guo carries out property development and investment businesses in the PRC through Fujian Sandi Property Development Company Limited. To deal with the potential conflict of interests between Mr. Guo and the Company, (i) Mr. Guo and (ii) the Company entered into the deed of non-competition on 15 March 2017, pursuant to which, among other things, Mr. Guo had given non-compete undertakings in favour of the Company on the terms as summarised in the announcement of the Company dated 15 March 2017.

5. DIRECTORS' INTERESTS IN CONTRACTS, ARRANGEMENTS AND ASSETS

As at the Latest Practicable Date, save and except for Mr. Guo, (i) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group; and (ii) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

(i) Corporate guarantee

As at the Latest Practicable Date, the Group had one outstanding corporate guarantee (the “**Corporate Guarantee**”) provided to Fujian Sandi Real Estate Development Co., Limited (“**Fujian Sandi**”), a company indirectly controlled by Mr. Guo to guarantee the payment obligations of the bank loans obtained by Fujian Sandi. Details of the Corporate Guarantee which was provided by the Group to Fujian Sandi as at the Latest Practicable Date are as follows:-

Borrower	Lender	Guarantor	Loan		Interest rate	Repayment date
			principal (RMB'000)	Outstanding (RMB'000)		
Fujian Sandi	Huaxia Bank Co., Limited	Fuzhou Gaojia Real Estate Development Co., Limited	690,000	561,000	5.40%	16 October 2028

(ii) Convertible Bonds

As mentioned in this circular, the Convertible Bonds in principal amount of HK\$500 million were issued by the Company to Primary Partner, a company wholly-owned by Mr. Guo, on 30 January 2019 as part of the consideration for the Acquisition. The Convertible Bonds bear an interest of 1% per annum and are convertible into a maximum of 1,213,592,233 Conversion Shares at the Existing Conversion Price of HK\$0.412 per Conversion Share. As the Convertible Bonds have not been redeemed or converted in whole or in part, their entire principal amount remained outstanding and were repayable on 30 January 2024, i.e. the original maturity date. On 30 January 2024, the Company and Primary Partner have entered into the CB Amendment Deed for the Proposed CB Amendments.

(iii) Promissory Note

As at 30 June 2023, the Company had outstanding Promissory Note in principal amount of HK\$600 million. As referred to in the announcement of the Company dated 30 January 2024, pursuant to the PN Amendment Deed, the Company and Primary Partner, a company wholly-owned by Mr. Guo, have agreed that, among other things, (i) the principal amount of the Promissory Note shall be increased from HK\$600 million to HK\$800 million; (ii) the maturity date of the Promissory Note shall be extended from 30 January 2024 to 30 January 2029; and (iii) the interest rate of the remaining term of the Promissory Note shall be set at 6% per annum. For details, please refer to the announcement of the Company dated 30 January 2024.

6. MATERIAL CONTRACTS

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

- (i) the CB Amendment Deed; and
- (ii) the PN Amendment Deed.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was 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 by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date of which the latest published audited financial statements of the Group were made up.

9. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company is located at Room 2008, 20th Floor, 118 Connaught Road West, Hong Kong.
- (c) The company secretary of the Company is Ms. Ho Wing Tsz, Wendy, who is a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (d) The Company's branch share registrars and transfer office in Hong Kong is Tricor Tengis Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this Prospectus:

Name	Qualification
VBG Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, the above expert did not have any interest, either direct or indirect, in any assets which has been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinasandi.com.cn) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out in “Letter from the Board” in this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in “Letter from the Independent Board Committee” in this circular;
- (c) the letter from VBG to the Independent Board Committee and the Independent Shareholders, the text of which is set out in “Letter from VBG” in this circular;
- (d) the written consent referred to in the paragraph headed “10. Qualification and consent of expert” in this appendix;
- (e) the CB Amendment Deed; and
- (f) this circular.

APPENDIX II PROPOSED ADOPTION OF THE NEW BYE-LAWS

The details of the Proposed Bye-laws Amendments introduced by the New Bye-laws are as follows. Unless otherwise specified, clauses, paragraphs and bye-law numbers referred herein are clauses, paragraphs and bye-law numbers of the New Bye-laws:

Provisions of the Existing Bye-laws	Proposed Bye-laws Amendments
Bye-Law 1(A)	<p>Bye-Law 1(A) is proposed to include a new definition of “Stock Exchange” and amend the existing definition of “writing” or “printing” as follows:</p> <p><u>“Stock Exchange” shall mean The Stock Exchange of Hong Kong Limited</u></p> <p><u>“writing” or “printing” shall unless the contrary intention appears, be construed as including without limitation printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the shareholder’s election comply with all applicable laws, rules and regulations</u>include writing, printing, lithography, photography, typewriting and every other mode of representing words or figures in a legible and non-transitory form.</p>
Bye-Law 30	<p>Bye-Law 30 is proposed to be amended as follows:</p> <p>In addition to the giving of notice in accordance with Bye-Law 29, notice of the person appointed to receive payment of every call and of the times and places appointed for payment may be given to the shareholders by notice to be inserted at least once in the Newspapers, <u>or subject to the rules of the stock exchange of the Relevant Territory and all applicable laws and regulations from time to time in force, by notice published on the Stock Exchange’s website, or by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided.</u></p>
Bye-Law 160	<p>Bye-Law 160 is proposed to be amended as follows:</p> <p>Notice of the declaration of an interim dividend shall be given by advertisement in the Relevant Territory and in such other territory or territories and<u>or</u> in such manner as the Directors shall determine.</p>

APPENDIX II PROPOSED ADOPTION OF THE NEW BYE-LAWS

Provisions of the Existing Bye-laws	Proposed Bye-laws Amendments
Bye-Law 178(B)	<p>Bye-Law 178(B) is proposed to be amended as follows:</p> <p>Every balance sheet of the Company shall be signed on behalf of the Directors by two of the Directors and a copy of every balance sheet (including every document required by law to be comprised therein or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the Auditors' report thereon, shall not less than twenty-one days before the date of the meeting be sent to every shareholder of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the provisions of the Companies Act or these Bye-Laws, provided that this Bye-Law shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures, but any shareholder or holder of debentures to whom a copy of those documents has not been sent shall be entitled to receive a copy free of charge on application at the Head Office or the Registration Office. If all or any of the shares or debentures or other securities of the Company shall for the time being be (with the consent of the Company) listed or dealt in on any stock exchange or market, there shall be forwarded to such stock exchange or market such number of copies of such documents as may for the time being be required under its regulations or practice.</p>

Provisions of the Existing Bye-laws	Proposed Bye-laws Amendments
Bye-Law 183	<p>Bye-Law 183 is proposed to be amended as follows:</p> <p>Any notice or document (<u>including any corporate communications within the meaning given to it under the rules of the stock exchange of the Relevant Territory</u>) to be given or issued under these Bye-Laws shall be in writing, and may be served by the Company on any shareholder either (a) personally; or (b) by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register; or (c) by delivering or leaving it at such registered address as aforesaid; or (d) by sending or transmitting it as an electronic communication to the relevant person at the electronic address provided by him in accordance with Bye-Law 183A, subject to the Company complying with the rules of the stock exchange of the Relevant Territory and all applicable laws and regulations from time to time in force; or (e) by publishing it on the Company's website and/or the Stock Exchange's website, subject to the Company complying with the rules of the stock exchange of the Relevant Territory and all applicable laws and regulations from time to time in force; or (f) (in the case of a notice) by placing an advertisement in the Newspapers or displaying the relevant notice conspicuously at the Registered Office and the Head Office; or (g) by sending or otherwise making it available to the relevant person through such other means, whether electronically or otherwise, to the extent permitted by and in accordance with the rules of the stock exchange of the Relevant Territory and all applicable laws, rules and regulations. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.</p>
N/A	<p>Bye-Law 183A is proposed to be added as a new Bye-Law as follows:</p> <p><u>183A. Every person who is entitled to receive notice from the Company under the provisions of the Companies Act or these Bye-Laws may register with the Company an electronic address to which notices can be served upon him.</u></p>

Provisions of the Existing Bye-laws	Proposed Bye-laws Amendments
Bye-Law 184(B)	<p>Bye-Law 184(B) is proposed to be amended as follows:</p> <p>Any shareholder who fails (and, where a share is held by joint holders, where the first joint holder named on the register fails) to supply his registered address or a correct registered address, <u>or, in case of electronic communications, fails to supply his electronic address or a correct electronic address,</u> to the Company for service of notices and documents on him shall not (and where a share is held by joint holders, none of the other joint holders whether or not they have supplied a registered address shall) be entitled to service of any notice or documents by the Company and any notice or document which is otherwise required to be served on him may, if the Directors in their absolute discretion so elect (and subject to them as re-electing otherwise from time to time), be served, in the case of notices, by displaying a copy of such notice conspicuously at the Registered Office and the Head Office or, if the Directors see fit, by <u>publishing or otherwise making available on the Company or the Stock Exchange's website or by advertisement in the Newspapers,</u> and, in the case of documents, by posting up a notice conspicuously at the Registered Office and the Head Office addressed to such shareholder which notice shall state the address within the Relevant Territory at which he may obtain a copy of the relevant document, <u>or, if the Board sees fit, by publishing or otherwise making available on the Company or the Stock Exchange's website.</u> Any notice or document served in the manner so described shall be sufficient service as regards shareholders with no registered or incorrect addresses, provided that nothing in this paragraph (B) shall be construed as requiring the Company to serve any notice or document on any shareholder with no or an incorrect registered address, <u>or, in case of electronic communications, no or an incorrect electronic address,</u> for the service of notice or document on him or on any shareholder other than the first named on the register of members of the Company.</p>

Provisions of the Existing Bye-laws	Proposed Bye-laws Amendments
Bye-Law 185	<p>Bye-Law 185(E) and 185(F) are proposed to be added as new Bye-Laws as follows:</p> <p><u>(E) A notice given by electronic means as provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by the rules of the stock exchange of the Relevant Territory or any applicable laws or regulations.</u></p> <p><u>(F) A notice, document or publication placed on either the Company's website or the Stock Exchange's website is deemed given or served by the Company on the day it first so appears on the relevant website, unless the rules of the stock exchange of the Relevant Territory specify a different date, in which case the deemed date of service shall be as provided or required by the rules of the stock exchange of the Relevant Territory.</u></p>
Bye-Law 186	<p>Bye-Law 186 is proposed to be amended as follows:</p> <p>A notice or document may be given by the Company to the person entitled to a share in consequence of the death, mental disorder, bankruptcy or liquidation of a shareholder by sending it through <u>electronic means or the post</u> in a prepaid envelope or wrapper addressed to him by name, or by the title of representative of the deceased, the trustee of the bankrupt or the liquidation of the shareholder, or by any like description, at the <u>electronic address or address</u>, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an <u>electronic address or address</u> has been so supplied) by giving the notice or document in any manner in which the same might have been given if the death, mental disorder, bankruptcy or winding up had not occurred.</p>

Provisions of the Existing Bye-laws	Proposed Bye-laws Amendments
Bye-Law 188	<p data-bbox="766 268 1372 300">Bye-Law 188 is proposed to be amended as follows:</p> <p data-bbox="766 342 1396 895">Any notice or document delivered or sent <u>through electronic means or</u> by post to, or left at the registered address of any shareholder in pursuance of these presents, shall notwithstanding that such shareholder be then deceased, bankrupt or wound up and whether or not the Company has notice of his death, bankruptcy or winding up, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such shareholder until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his personal representatives and all persons (if any) jointly interested with him in any such shares.</p>
Bye-Law 189	<p data-bbox="766 915 1372 946">Bye-Law 189 is proposed to be amended as follows:</p> <p data-bbox="766 989 1396 1127">The signature to any notice or document to be given by the Company may be written or printed <u>or printed by means of facsimile or, where relevant, by electronic signature.</u></p>

NOTICE OF SGM



中国三迪
CHINA SANDI

CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of shareholders of China Sandi Holdings Limited (the “**Company**”) will be held at 21st Floor, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong at 2:00 p.m. on Wednesday, 13 March 2024 or any adjournment thereof to consider and, if thought fit, to pass with or without amendments, the following resolution:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the deed of amendment (the “**CB Amendment Deed**”) dated 30 January 2024 entered into between the Company and Primary Partner International Limited (“**Primary Partner**”) in relation to the proposed amendments to the terms and conditions of the convertible bonds in the principal amount of HK\$500 million issued by the Company to Primary Partner on 30 January 2019 (the “**Convertible Bonds**”) to give effect that (i) the principal amount of the Convertible Bonds shall be changed from HK\$500,000,000 to HK\$300,000,000; (ii) the maturity date shall be changed from 30 January 2024 to 30 January 2029; (iii) the interest rate shall be changed from 1% per annum to 2% per annum; (iv) a right shall be granted to Primary Partner to require the Company to redeem all of the outstanding Convertible Bonds; and (v) the conversion price of the Convertible Bonds shall be changed from HK\$0.412 to HK\$0.090 per conversion share (the “**Proposed CB Amendments**”) (a copy of which has been produced to this meeting marked “A” for the purpose of identification), and the transactions contemplated thereunder, and all other matters thereof and incidental thereto and in connection therewith, be and are hereby approved, confirmed and/or ratified (as the case may be);

NOTICE OF SGM

- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having approved the Proposed CB Amendments and conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the ordinary share(s) of HK\$0.01 each in the share capital of the Company which shall fall to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds as amended and supplemented by the CB Amendment Deed, the board of directors (the “**Director(s)**”) of the Company be and is hereby granted a specific mandate to allot and issue the conversion shares (the “**Conversion Shares**”) which may fall to be issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Conversion Bonds as amended by the CB Amendment Deed; and
- (c) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, agreements and do all such acts and things, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of in connection with the implementation of or giving effect to the CB Amendment Deed and the transactions contemplated thereunder (including but not limited to the Proposed CB Amendments and the grant of the Specific Mandate) and the allotment and issue of the Conversion Shares, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company.”

SPECIAL RESOLUTION

And as special business, to consider and, if thought fit, pass with or without amendments the following as a special resolution:

2. “**THAT**

- (a) the existing bye-laws of the Company be amended in the manner as set out in the circular of the Company dated 22 February 2024 (the “**Circular**”);
- (b) the second amended and restated bye-laws of the Company (a copy of which has been produced to this meeting and marked “B” for the purpose of identification), be and is hereby approved and adopted as the bye-laws of the Company in substitution for, and to the exclusion of, the existing bye-laws of the Company with immediate effect (the “**Proposed Adoption**”); and

NOTICE OF SGM

- (c) that any one director or officer of the Company be and is hereby authorised to execute all such documents and do all such other acts and things as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to effect the Proposed Adoption and any of the foregoing, and to make relevant registrations and filings in accordance with the relevant requirements of the applicable laws, rules and regulations in Bermuda and Hong Kong.”

By Order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

Hong Kong, 22 February 2024

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

*Head office and principal place of
business in Hong Kong:*
Room 2008, 20th Floor
118 Connaught Road West,
Hong Kong

Notes:

1. The register of members of the Company will be closed from Friday, 8 March 2024 to Wednesday, 13 March 2024, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 7 March 2024.

In the event that the meeting is adjourned to a date later than Wednesday, 13 March 2024 due to bad weather conditions or other reasons, the period of closure of the register of members of the Company for determination of shareholders' entitlement to attend and vote at the above meeting will remain the same as stated above.

2. If a tropical cyclone warning signal number 8 or above, or a black rainstorm warning or extreme condition caused by a super typhoon is in effect in Hong Kong at any time after 12:00 p.m. on Wednesday, 13 March 2024, the meeting will be automatically postponed to a later date. When the date, time and location of the rescheduled meeting has been fixed, the Company will post a further announcement on the websites of the Stock Exchange and the Company to notify shareholders of the date, time and location of the rescheduled meeting.
3. Any member entitled to attend and vote at the SGM (and any adjournment of such meeting) shall be entitled to appoint another person as his proxy to attend and, subject to the provisions of the bye-laws of the Company, vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the SGM (and any adjournment of such meeting). A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

NOTICE OF SGM

5. In order to be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM (or any adjournment of such meeting) (as the case may be) at which the person named in the instrument proposes to vote.
6. Completion and return of the proxy form does not preclude a member from attending and voting in person at the SGM (or any adjournment of such meeting) and, in such event, the proxy form shall be deemed to be revoked.
7. Where there are joint holders of any shares of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he was solely entitled thereto; but if more than one of such joint holders are present at the SGM (and any adjournment of such meeting), the most senior will alone be entitled to vote, whether in person or by proxy. For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.