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

If you have sold or transferred all your shares in Zhongzheng International Company Limited, you should at once hand this circular 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 the transferee.

ZHONGZHENG INTERNATIONAL COMPANY LIMITED
中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ALL THE EQUITY INTEREST IN HONG KONG ZHONGZHENG CITY INVESTMENT LIMITED AND SHAREHOLDER'S LOANS DUE FROM SHENZHEN ZHONGZHENG RUIFENG MANAGEMENT COMPANY LIMITED

Financial adviser to the Company

Optima Capital Limited

Independent financial adviser to the Independent Board Committee and the Shareholders

Gram Capital Limited
嘉林資本有限公司

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 6 to 47 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 48 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 49 to 82 of this circular.

A notice convening the SGM to be held at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong on Friday, 19 July 2024 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend 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 and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall 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.

28 June 2024

CONTENTS

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

"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for transaction of business
"BVI"	the British Virgin Islands
"Chengde Development"	承德中證城鄉開發有限公司 (Chengde Zhongzheng Urban and Rural Development Co., Ltd.*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of Chengde Jinyu as at the Latest Practicable Date
"Chengde Jinyu"	承德中證金域投資開發有限公司 (Chengde Zhongzheng Jinyu Investment Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect associated company of the Company as at the Latest Practicable Date
"Chengde Jinyu Group"	Chengde Jinyu and its subsidiaries
"Chengde Jinyu Valuation Report"	the valuation report on Chengde Jinyu as at 31 March 2024 as set out in Appendix IVB to this circular
"Company"	Zhongzheng International Company Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 943)
"Completion"	completion of the Disposal pursuant to the terms and conditions of the Disposal Agreement
"Completion Date"	the date of the Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the Sale Loans Consideration and the Sale Shares Consideration
"December Property Valuation Report"	the valuation report on the properties interests held by the Disposal Group and the Chengde Jingyu Group as at 31 December 2023 as set out in Appendix IVC to this circular
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Disposal Agreement

"Disposal Agreement"	the conditional sale and purchase agreement dated 6 May 2024 entered into among the Company, GPI and the Purchaser in relation to the Disposal
"Disposal Announcement"	the announcement of the Company dated 6 May 2024 in respect of the Disposal
"Disposal Company"	Hong Kong Zhongzheng City Investment Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Disposal Group"	the Disposal Company and its subsidiaries
"Dongguan Project"	a property development project located in the north side of Guantai Avenue, Zhouxi Village, Nancheng District, Dongguan City, Guangdong Province, the PRC
"Dongguan Project Company"	東莞禾信房地產開發有限公司 (Dongguan Hexin Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company as at the Latest Practicable Date
"Fengda"	承德中證豐達建設開發有限公司 (Chengde Zhongzheng Fengda Construction Development Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company as at the Latest Practicable Date
"GFA"	gross floor area
"GPI"	Grand Prominent International Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"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, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, which has been established to make recommendations to the Shareholders regarding the Disposal
"Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Disposal
"Independent Shareholders"	Shareholders other than the Purchaser and his associates

"Independent Third Party(ies)"	person(s) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company pursuant to the Listing Rules
"Latest Practicable Date"	27 June 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luanping Huawei"	灤平華偉房地產開發有限公司 (Luanping Huawei Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Chengde Development as at the Latest Practicable Date
"Luanping Huayang"	灤平華陽房地產開發有限公司 (Luanping Huayang Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Chengde Development as at the Latest Practicable Date
"Luanping Project"	a primary land development project in collaboration with the Luanping County People's Government in Hebei Province, the PRC
"Luanping Qianyang"	灤平乾陽房地產開發有限公司 (Luanping Qianyang Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of Chengde Development as at the Latest Practicable Date
"March Property Valuation Report"	the valuation report on the properties interests held by the Disposal Group and the Chengde Jinyu Group as at 31 March 2024 as set out in Appendix IVD to this circular
"Mr. Leung"	Mr. Leung Chung Shan, a former executive Director (resigned on 15 December 2023) and former substantial Shareholder of the Company
"Mr. Low"	Mr. Low Thiam Herr, a substantial Shareholder of the Company
"Nanjing Project"	a property development project located in the south of Naishan, Tuanjie Village, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC
"Nanjing Project Company"	南京源鼎置業有限公司 (Nanjing Yuanding Real Estate Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"Purchaser" or "Mr. Lim"	Mr. Lim Kim Chai, a non-executive Director and a substantial Shareholder of the Company
"Remaining Group"	the Group immediately after Completion
"Ruifeng"	深圳市中證瑞豐管理有限公司 (Shenzhen Zhongzheng Ruifeng Management Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Sale Loans"	the unsecured loans and amount owed by Ruifeng to the Company as at the Completion Date, being the aggregate of (i) the shareholder's loans owed by Ruifeng to the Company with outstanding principal amount of approximately HK$139.1 million and accrued interest of approximately HK$35.1 million; and (ii) the amount due from Ruifeng to the Company under current account of approximately HK$2.0 million, as at 30 June 2023 and up to the date of the Disposal Agreement
"Sale Loans Consideration"	the nominal consideration of approximately HK$1 for the Sale Loans under the Disposal Agreement
"Sale Shares"	the entire issued share capital of the Disposal Company as at the date of the Disposal Agreement
"Sale Shares Consideration"	the consideration of HK$53.7 million for the Sale Shares under the Disposal Agreement
"Sale Shares Valuation"	the valuation on the Sale Shares conducted by the Valuer
"Sale Shares Valuation Report"	the valuation report on the Sale Shares as at 31 March 2024 as set out in Appendix IVA to this circular
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended 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 Disposal Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.00004 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan A"	the unsecured shareholder's loan owing by the Company to the Purchaser in the principal amount of HK$20 million bearing interest at the rate of 2.2% per annum

"Shareholder's Loan B"	the unsecured shareholder's loan owing by the Company to the Purchaser in the principal amount of HK$230 million bearing interest at the rate of 5.0% per annum
"Shareholder's Loans"	together, Shareholder's Loan A and Shareholder's Loan B
"Shareholder's Loans Accrued Interest"	the aggregate amount of accrued and unpaid interest on the Shareholder's Loans up to the date of the Disposal Agreement of approximately HK$53.7 million
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Reports"	collectively, (i) the Sale Shares Valuation Report, (ii) the Chengde Jinyu Valuation Report, (iii) the December Property Valuation Report, and (iv) the March Property Valuation Report as set out in Appendices IVA to D to this circular
"Valuer"	Graval Consulting Limited, an independent professional firm providing valuation and consulting services for a wide range of industries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"mu"	a unit of land measurement, where 1 mu is equivalent to approximately 666.67 sq. m.
"sq. m."	square metres
"sq. km."	square kilometres

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK$ in this circular is based on the exchange rate of HK$1 to approximately RMB0.9053. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this rate or any other rate.

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

ZHONGZHENG INTERNATIONAL COMPANY LIMITED
中證國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 943)

Executive Directors:
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

Non-executive Director:
Mr. Lim Kim Chai

Independent non-executive Directors:
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

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

Head office and principal place of business in Hong Kong:
Room 1005,
Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai,
Hong Kong

28 June 2024

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ALL THE EQUITY INTEREST IN HONG KONG ZHONGZHENG CITY INVESTMENT LIMITED AND SHAREHOLDER'S LOANS DUE FROM SHENZHEN ZHONGZHENG RUIFENG MANAGEMENT COMPANY LIMITED

INTRODUCTION

On 6 May 2024 (after trading hours), the Company, GPI (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement for the purpose of realigning the Group's business and relieving the Group from the burden of the debt-ridden Disposal Group on the overall financial position of the Group. The salient terms of the Disposal Agreement are as follows:

(i) GPI selling to the Purchaser the Sale Shares, which represent the entire equity interest in the Disposal Company, for a consideration of approximately HK$53.7 million, which shall be satisfied by the Purchaser by offsetting against the outstanding interest accrued on the Shareholder's Loans owed by the Company to him up to the date of the Disposal Agreement on a dollar for dollar basis;

(ii) the Company selling to the Purchaser the Sale Loans (which are unsecured), which represent the aggregate amount (including principal and interest) owed by Ruifeng (an indirect wholly-owned subsidiary of the Disposal Company) to the Company for a nominal cash consideration of HK$1; and

(iii) subject to and upon Completion, the Purchaser extending the repayment date of the principal of the Shareholder's Loans (which are unsecured) (plus accrued interest) from 31 December 2024 to 31 December 2027.

The Disposal Company is a special purpose vehicle with its principal business in investment holding. Through a directly held 100% subsidiary, the Disposal Company holds the entire equity interest in Ruifeng, which in turn holds several other wholly/non-wholly owned subsidiaries. Through the major subsidiaries, the major investment holdings of Ruifeng include (i) 100% equity interest in the Dongguan Project Company (which is the developer of the Dongguan Project), (ii) 51% equity interest in the Nanjing Project Company (which is the developer of the Nanjing Project) and (iii) 100% equity interest in Fengda, which in turn holds 42.5% equity interest in Chengde Jinyu. Chengde Jinyu in turn holds 90% equity interest in Chengde Development, which is the developer of the Luanping Project and indirect owner of certain property and land interests in the Luanping area, the PRC. In addition to the abovementioned members of the Disposal Group, there are a few other subsidiaries in the Disposal Group, which are basically dormant and/or have not commenced business and have no material assets as at 31 December 2023. Please refer to the section headed "Information of the Disposal Group" for the simplified group structure of the Disposal Group.

Other than the funding from the Company as its ultimate shareholder, the Disposal Group had funded its operations with substantial borrowings. Due to the extremely difficult business environment in the midst of the strenuous credit crunch in the PRC property market, the Disposal Group has incurred significant losses during the past few years. For the 18 months ended 30 June 2022, the 12 months ended 30 June 2023 and the six months ended 31 December 2023, the Disposal Group recorded unaudited consolidated losses of approximately HK$156.7 million, HK$182.9 million and HK$908.5 million, respectively. As at 31 December 2023, the Disposal Group recorded unaudited consolidated net liabilities attributable to its owners of approximately HK$189.1 million. As at 31 December 2023, the liabilities of the Disposal Group included loans and amount owed by Ruifeng to the Company (i.e. the Sale Loans) in the aggregate amount of approximately HK$176.2 million. Pursuant to the terms of the Disposal Agreement, the Group will sell the Sale Shares and the Sale Loans to the Purchaser. Upon Completion, the Group will have divested all its interests in the Disposal Group, hence all its existing property projects in the PRC. The Disposal Company will cease to be a subsidiary of the Group and the financial results, assets and liabilities of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. Details of the financial effects of the Completion will be described further in this circular below.

Pursuant to the Disposal Agreement, the Purchaser has also agreed to extend the repayment date of the two unsecured interest-bearing Shareholder's Loans owed by the Company to him from 31 December 2024 to 31 December 2027, subject to and upon Completion, with the intent to alleviate the liquidity pressure of the Group by end of the current year. The principal and all accrued interest of the Shareholder's Loans will be repayable by a bullet payment on the extended repayment date. This will benefit the Group in retaining more financial resources for its business operations and development.

The principal terms of the Disposal Agreement are set out below.

THE DISPOSAL AGREEMENT

Date: 6 May 2024

Parties:

(i) GPI, a direct wholly-owned subsidiary of the Company, as seller of the Sale Shares;

(ii) the Company, as seller of the Sale Loans; and

(iii) the Purchaser, as buyer of the Sale Shares and the Sale Loans.

The Purchaser is a non-executive Director and a substantial Shareholder holding 1,569,420,951 Shares, representing approximately 12.24% of the issued share capital of the Company as at the date of the Disposal Agreement and the Latest Practicable Date. Accordingly, the Purchaser is a connected person of the Company under the Listing Rules.

Assets to be disposed of

GPI conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares free from all encumbrances as at Completion together with all rights attached thereto, including all dividends and distributions declared, made or paid on or after Completion. The Sale Shares represent the entire issued share capital of the Disposal Company as at the date of the Disposal Agreement.

The Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Loans free from all encumbrances as at Completion together with all rights, benefits and interest attached thereto. The Sale Loans are unsecured and represent the total loans and amount owed by Ruifeng to the Company amounting to approximately HK$176.2 million as at 30 June 2023 and up to the date of the Disposal Agreement, and comprising (i) shareholder's loans granted by the Company to Ruifeng in 2020 in the aggregate principal amount of approximately HK$139.1 million which was interest bearing at the rate of 7% per annum until 30 June 2023 when the Company waived all interest obligations of Ruifeng which might otherwise arise from then onwards on the principals of the Sale Loans; (ii) the interest accrued on the principal of the Sale Loans from date of grant up to 30 June 2023 in the aggregate amount of approximately HK$35.1 million; and (iii) an amount due from Ruifeng to the Company under current account of approximately HK$2.0 million which is not interest bearing. There has been no change in the aggregate sum of the Sale Loans from 30 June 2023 and up to the date of the Disposal Agreement, and it is not expected that there will be any change before Completion.

Consideration

Sale Shares Consideration

The consideration for the Sale Shares is approximately HK$53.7 million. As at the date of the Disposal Agreement, the Company owed to the Purchaser the Shareholder's Loans in the aggregate principal amount of HK$250 million, plus accrued and unpaid interest thereon of approximately HK$53.7 million (i.e. the Shareholder's Loans Accrued Interest). At Completion, the Purchaser shall satisfy the Sale Shares Consideration by offsetting against the Shareholder's Loans Accrued Interest on a dollar for dollar basis. For the avoidance of doubt, there will be no actual transfer of money from the Purchaser to GPI at Completion in respect of the Sale Shares Consideration.

The Sale Shares Consideration has been agreed between the Company and the Purchaser after arm's length negotiations having considered the financial results of the Disposal Group in recent years, the financial position of the Disposal Group, and the independent valuation of the equity value of the Disposal Company and the independent valuation of the property interests held by the Disposal Group and its 42.5% investee company, namely the Chengde Jinyu Group, as at 31 December 2023 as further described below. Based on the unaudited management accounts of the Disposal Group, the Disposal Group recorded unaudited losses after taxation of approximately HK$156.7 million, HK$182.9 million and HK$908.5 million for the 18 months ended 30 June 2022, the 12 months ended 30 June 2023 and the six months ended 31 December 2023, respectively. On the financial position aspect, as at 31 December 2023, the Disposal Group was in a net liabilities position attributable to its owners amounting to approximately HK$189.1 million (the "**Disposal Group Net Liabilities Position**"). The Disposal Group Net Liabilities Position takes into account the Sale Loans owed by Ruifeng to the Company, which had been used to fund the operations of the Disposal Group. In this regard, had the Sale Loans been contributed to the Disposal Group as equity and accounted for as equity instead of liabilities for the purpose of calculating the Disposal Group Net Liabilities Position, the adjusted consolidated financial position of the Disposal Group would be in the negative of approximately HK$12.9 million (the "**Adjusted Disposal Group Net Liabilities Position**"). In light of the above, the Sale Shares Consideration of approximately HK$53.7 million exceeds the Adjusted Disposal Group Net Liabilities Position by absolute value of approximately HK$66.6 million.

The Company had engaged the Valuer to conduct a valuation on the equity value of the Disposal Company (i.e. the Sale Shares) as at 31 December 2023. It is noted that the Valuer had appraised that the Sale Shares were of no commercial value as at 31 December 2023 as the attributable equity value to owners of the Disposal Company was a negative amount.

Having considered the Adjusted Disposal Group Net Liabilities Position of approximately HK$12.9 million and that the Sale Shares had been appraised at no commercial value by the Valuer as at 31 December 2023, the Company is of the view that any amount of positive consideration for the Sale Shares is in the interests of the Company and the Shareholders as a whole. In light of the above, the Company and the Purchaser arrived at the Sale Shares Consideration through arm's length negotiations with reference to the Shareholder's Loans Accrued Interest, which was approximately HK$53.7 million as at the date of the Disposal Agreement.

The Valuer has updated the Sale Shares Valuation using the same approach and appraised that the Sale Shares were of no commercial value as at 31 March 2024, details of which are set out in the Sale Shares Valuation Report set out in Appendix IVA to this circular.

Sale Loans Consideration

The consideration for the Sale Loans is at a nominal value of HK$1 and shall be payable by the Purchaser to the Company in cash at Completion.

The Sale Loans Consideration was determined after arm's length negotiations between the Company and the Purchaser. In light of the Adjusted Disposal Group Net Liabilities Position of the Disposal Group was in deficit in the magnitude of approximately HK$12.9 million as at 31 December 2023, and the significant accumulated losses recorded by the Disposal Group up to 31 December 2023 as referred to above, the Company and the Purchaser are of the view that the recovery of the Sale Loans by the Company in the near future is remote. In essence, the Sale Loans had been provided by the Company to the Disposal Group as its ultimate shareholder to fund its operations. The Company and the Purchaser have regarded the Sale Loans a form of quasi capital in nature, which have been taken into account by the parties in arriving at the Sale Shares Consideration. Under the circumstances, the Company and the Purchaser have agreed the Sale Loans Consideration to be at a nominal value of HK$1.

Extension of the Shareholder's Loans

As at the date of the Disposal Agreement, the Company owed to the Purchaser Shareholder's Loan A in the principal amount of HK$20 million and Shareholder's Loan B in the principal amount of HK$230 million, both of which are unsecured. Shareholder's Loan A and Shareholder's Loan B were granted by the Purchaser to the Company in August 2019 (for an initial term of 24 months) and in November 2019 (for an initial term of 60 days), respectively. The Shareholder's Loans are interest bearing at the rate of 2.2% per annum (in respect of Shareholder's Loan A) and 5% per annum (in respect of Shareholder's Loan B). Both Shareholder's Loans had been used by the Group to fund its operations, including that of the Disposal Group. The repayment date of the principals and accrued interests of each of the Shareholder's Loans has been extended with the present due date falling on 31 December 2024, respectively. As at the date of the Disposal Agreement, the Shareholder's Loans Accrued Interest amounted to approximately HK$53.7 million.

Subject to and upon Completion, the Purchaser will enter into a loan extension letter with the Company to extend the repayment dates of the principal of each of the Shareholder's Loans from 31 December 2024 to 31 December 2027, and all interest to be accrued on the Shareholder's Loans from 7 May 2024, being the date immediately after the date of the Disposal Agreement, up to and including 31 December 2027 will be payable by the Company by a bullet payment on the same repayment date as the principal. All other terms of the Shareholder's Loans are terms customary to agreements of their type (including but not limited to security (no security in the case of the Shareholder's Loans), interest rates, the Company's right of early repayment and events of default) and will remain the same as before the extension of the repayment dates.

In the event that Completion does not take place, the repayment date of the Shareholder's Loans will remain to be on 31 December 2024. In such event, the Company will consider alternative options and resources available to address the repayment of the Shareholder's Loans when they become due.

Conditions precedent

Completion will be conditional on the fulfilment or waiver (as the case may be) of the following conditions:

(i) the Company having obtained the approval of the necessary ordinary resolution(s) for approving the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM;

(ii) GPI having obtained all requisite authorisation, consent and approval from the relevant banks, regulatory authorities and/or other third parties in respect of the Disposal Agreement and the transactions contemplated thereunder (including but not limited to the disposal of the Sale Shares), and such authorisation, consent and approval remain valid and not having been subsequently revoked, if applicable;

(iii) the Company having obtained all requisite authorisation, consent and approval from the relevant banks, regulatory authorities and/or other third parties in respect of the Disposal Agreement and the transactions contemplated thereunder (including but not limited to the disposal of the Sale Loans), and such authorisation, consent and approval remain valid and not having been subsequently revoked, if applicable;

(iv) the Purchaser having obtained all requisite authorisation, consent and approval from the relevant banks, regulatory authorities and/or other third parties in respect of the Disposal Agreement and the transactions contemplated thereunder (including but not limited to the acquisition of the Sale Shares and the Sale Loans), and such authorisation, consent and approval remain valid and not having been subsequently revoked, if applicable;

(v) the Purchaser being reasonably satisfied that there has been no material adverse change in respect of the Disposal Group since the date of the Disposal Agreement;

(vi) the representations, warranties and statements given by the Company and GPI under the Disposal Agreement remaining true, accurate, and not misleading in all material aspects since the date of the Disposal Agreement up to the Completion Date; and the Company and GPI having complied with all the relevant obligations and not having breached any terms under the Disposal Agreement up to the Completion Date;

(vii) the representations, warranties and statements given by the Purchaser under the Disposal Agreement remaining true, accurate and comprehensive, and not misleading in all material aspects since the date of the Disposal Agreement up to the Completion Date; and the Purchaser having complied with all the relevant obligations and not having breached any terms under the Disposal Agreement up to the Completion Date; and

(viii) the parties to the Disposal Agreement not having been notified by the Stock Exchange or other relevant regulatory authorities that the transactions contemplated under the Disposal Agreement (including but not limited to the disposal of the Sale Shares and the Sale Loans) would result in any party to the Disposal Agreement failing to comply in full with the requirements under all applicable laws and regulations (including but not limited to the duties and obligations required under the Listing Rules or other applicable laws and regulations).

The Purchaser may from time to time waive any of the conditions set out in (v) and (vi) above by notice in writing. The Company or GPI may from time to time waive the condition set out in (vii) above by notice in writing. Save for the aforementioned, none of the conditions set out above are capable of being waived by either party to the Disposal Agreement.

If any of the above conditions have not been fulfilled or waived (as the case may be) on or before 30 September 2024 (or such later date as the parties may agree in writing), the Disposal Agreement shall lapse automatically and neither party shall have any obligations and liabilities or any claims towards each other thereunder save for any antecedent breaches of the Disposal Agreement.

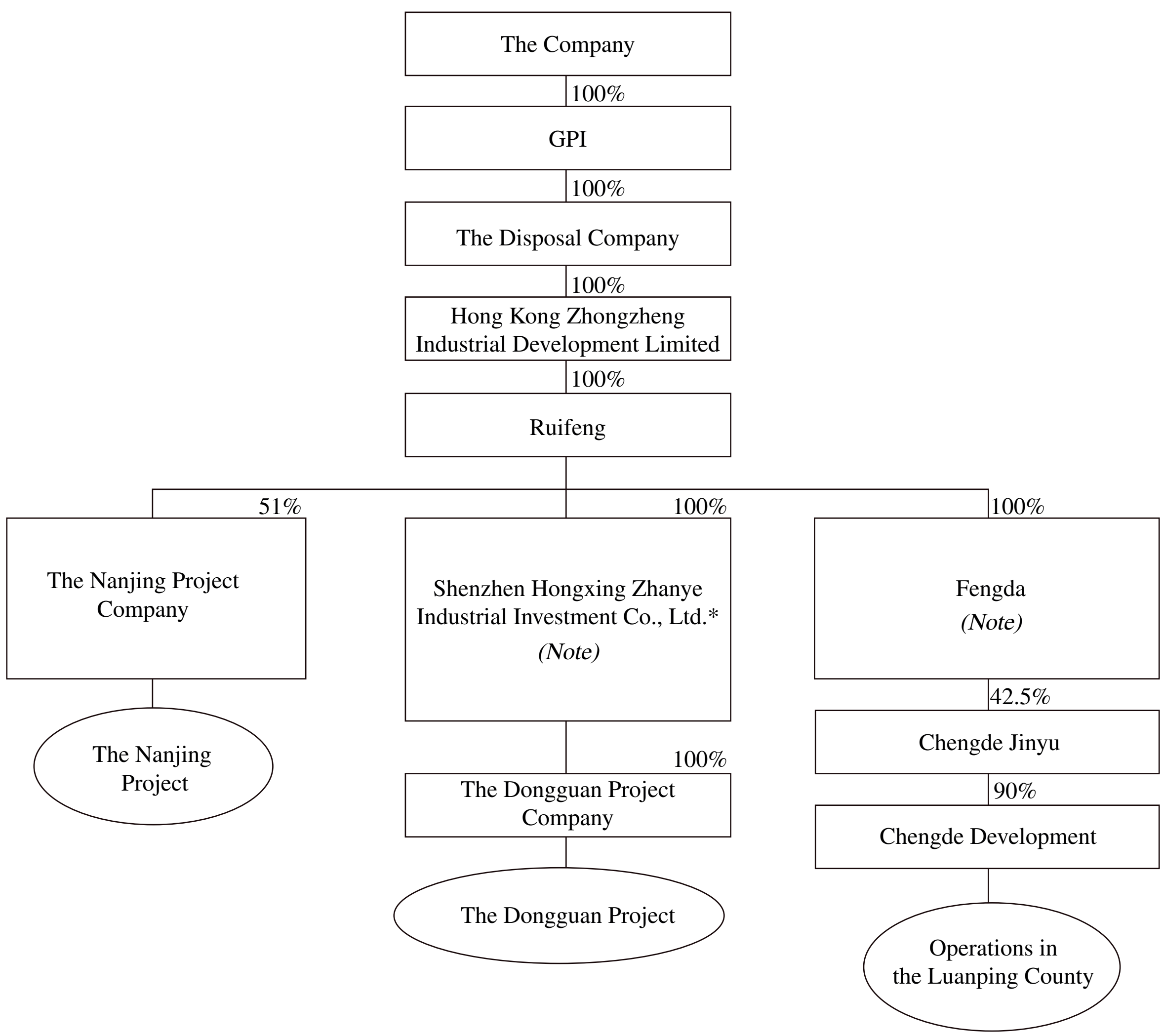
Completion

Completion will take place on the third Business Day after fulfilment or waiver (as the case may be) of all of the conditions precedent to the Disposal Agreement, or such other date as the parties to the Disposal Agreement may agree in writing.

INFORMATION OF THE DISPOSAL GROUP

Group structure

Set out below is a simplified group structure of the Disposal Group, including subsidiaries and associates with substantive operations and material assets:



* *For identification purpose only*

Note: These companies are primarily investment holding companies. Apart from holding investments in their subsidiaries or associates, these companies have no other material business operations.

Principal businesses

The principal businesses of the Disposal Group are as follows:

Operation of property development in the PRC

The Disposal Company is an investment holding company established in the BVI with limited liability. Its principal operating subsidiaries are engaged in property development in the PRC, namely the Dongguan Project and the Nanjing Project.

Investment in Chengde Jinyu

The Disposal Company also holds a 42.5% equity interest in Chengde Jinyu, which in turn holds a 90% equity interest in Chengde Development. Chengde Development is principally engaged in primary land development in the Luanping County, Chengde City, the PRC, namely the Luanping Project. Through its subsidiaries, Chengde Development also holds three pieces of land in the Luanping County.

Further information on the principal subsidiaries of the Disposal Group and the Chengde Jinyu Group is set out below.

Property development in the PRC

The Dongguan Project and the Nanjing Project are the two property development projects engaged by the Disposal Group directly.

The Dongguan Project

The Disposal Group is the developer of the Dongguan Project through its 100% indirect equity interest in the Dongguan Project Company. The Dongguan Project is called CITIC•Cloud Courtyard* (中證•雲庭) and is located in the Nancheng District, Dongguan City, the PRC. It is a small-scale property development project which comprises two composite buildings comprising 242 residential units and 72 commercial units with saleable GFA of approximately 23,280 sq. m. and 4,969 sq. m., respectively, and 178 car parking spaces in a two-storey carpark basement. Transferrable real estate ownership certificates have been obtained for the aforesaid units and car parking spaces, except for 68 car parking spaces (the "**Leasehold Car Spaces**"). The Leasehold Car Spaces include 58 car parking spaces reserved for civil air defense (人民防空車位) and 10 spaces reserved for small vehicles. Under the relevant laws and regulations in the PRC, the real estate ownership certificates will not be granted to the developers by the government in respect of the Leasehold Car Spaces. However, the Dongguan Project Company has the right to use the premises and the right to income generated by this premises.

Pre-sale of the residential units of the Dongguan Project began in November 2020. The construction of the Dongguan Project was completed by July 2022 and the project was granted completion acceptance certificates subsequently. Revenue generated from sales of the units sold are recorded by the Dongguan Project Company upon delivery of the properties to buyers. In this connection, majority of which deliveries occurred during the year ended 30 June 2023.

Despite its prime location, the project has been facing challenges in sales due to the economic turmoil resulting from the Covid-19 pandemic and the unfavourable real estate market conditions in the surrounding area. As at 31 December 2023, all the commercial units and the car parking spaces (for which the Dongguan Project Company has real estate ownership certificates) remained unsold, two residential units were contracted for sale but not yet completed and 22 residential units were available for sale. By mid-January 2024, one more residential unit was contracted for sale, resulting in a total of three residential units contracted for sale but not yet completed and 21 residential units which remained available for sale. As at 31 March 2024, the said three residential units contracted for sale were sold. In late-January 2024 and in March 2024, one commercial unit and a further residential unit were contracted for sale, respectively. However, as the cut-off time for determining the subject properties for the valuation of the Dongguan Project Company as at 31 December 2023 was in mid-January 2024, the one commercial unit and one residential unit contracted for sale after mid-January 2024 were treated as unsold properties of the Dongguan Project for its valuation as at 31 December 2023. As at 31 December 2023, four of those 22 unsold residential units were subject to freezing order by the court pursuant to a court case, and in January 2024, one more unsold residential unit was frozen, as further discussed below. As at 31 March 2024, of the properties not subject to freezing order, 13 residential units and 67 commercial units were charged to an Independent Third Party for certain loan facilities which have not been utilised as at the Latest Practicable Date.

In April 2022, the Dongguan Project Company obtained a loan with principal amount of RMB10 million from an Independent Third Party (the "**Dongguan Lender**") with maturity date in June 2023. In February 2023, a dispute arose between the Dongguan Project Company and the Dongguan Lender, who asserted a breach of agreement and demanded early repayment of the loan. In March 2023, the Dongguan Lender filed for arbitration with the Guangzhou Arbitration Commission and, in August 2023, obtained the arbitration award that, among other things, the Dongguan Project Company shall repay the loan principal of RMB10 million and pay default charge (calculated based on 0.05% per day on the principal amount) to the Dongguan Lender and the arbitral award is being enforced by the court. In the course of the arbitration, freezing orders were made by the court over five unsold residential units of the Dongguan Project (the "**Dongguan Frozen Properties**"), of which four were issued in March 2023 and one in January 2024. As at the Latest Practicable Date, the Dongguan Project Company had repaid RMB1 million to the Dongguan Lender and the outstanding amount of loan principal and default charge amounted to approximately RMB11.1 million in aggregate. Currently, the Dongguan Frozen Properties are under judicial auction process.

As extracted from the financial information of the Disposal Group set out in Appendix II to this circular, for the 12 months ended 30 June 2023 and the six months ended 31 December 2023, the Dongguan Project Company recorded revenue from sales upon delivery of the residential units of approximately HK$697.2 million and HK$36.5 million, respectively. As at 31 December 2023, the Dongguan Project Company recorded unaudited net assets of approximately HK$61.8 million, with assets including properties held for sales of approximately HK$170.6 million, amount due from Chengde Jinyu of approximately HK$95.2 million and other assets of approximately HK$21.2 million, as well as with liabilities including land appreciation tax payable of approximately HK$130.7 million, trade and other payable of approximately HK$72.0 million and other liabilities of approximately HK$22.5 million.

In determining the carrying value of the properties held for sales of the Dongguan Project Company as at 31 December 2023, the Company has taken into account a valuation as at 31 December 2023 by the Valuer on (i) the market value of the 21 residential units not yet contracted for sale (including the four Dongguan Frozen Properties at the material time); (ii) the market value of all the 72 commercial units; (iii) the market value of car parking spaces held for sale; and (iv) the investment value of the Leasehold Car Spaces (together the "**Dongguan Valuation Properties**"). No valuation had been conducted for those three premises that have been contracted for sale but not yet completed by mid-January 2024.

The Valuer has adopted the market approach and appraised that the market value of the Dongguan Valuation Properties (except for the Leasehold Car Spaces) as at 31 December 2023 to be approximately RMB159.5 million (equivalent to approximately HK$176.2 million). The Valuer has ascribed no commercial value to the Leasehold Car Spaces due to the absence of real estate ownership certificates. However, given that the Dongguan Project Company has the right to use of and right to income generated by the Leasehold Car Spaces, the Valuer has evaluated the investment value of the Leasehold Car Spaces using the income approach to assess the worth of the Leasehold Car Spaces for investment purpose as at 31 December 2023 and had come to a valuation of investment value of the Leasehold Car Spaces as at 31 December 2023 to be at approximately RMB12.2 million (equivalent to approximately HK$13.5 million). Despite the Dongguan Frozen Properties are currently under judicial auction process, having considered the minimum sales prices of the properties are close to their market values as assessed by the Valuer, the Company did not instruct the Valuer to assess their value for sale under repossession.

For details of the valuation of the Dongguan Valuation Properties as at 31 December 2023, please refer to the December Property Valuation Report set out in Appendix IVC to this circular.

The carrying value of the properties held for sales of the Dongguan Project Company as at 31 December 2023 of approximately HK$170.6 million (equivalent to approximately RMB154.5 million) was determined based on the sum of (i) the valuation of (a) the market value of the Dongguan Valuation Properties (except for the Leasehold Car Spaces) as at 31 December 2023 of approximately RMB159.5 million (equivalent to approximately HK$176.2 million), and (b) the investment value of the Leasehold Car Spaces as at 31 December 2023 of approximately RMB12.2 million (equivalent to approximately HK$13.5 million); and (ii) the actual selling price of the three residential units contracted for sale by mid-January 2024 in the aggregate amount of approximately RMB6.3 million (equivalent to approximately HK$6.7 million), and then deducted by (iii) the relevant tax applicable to sales of properties and selling expenses in the aggregate amount of approximately RMB23.5 million (equivalent to approximately HK$26.1 million).

The Valuer has updated the valuation of the Dongguan Valuation Properties as at 31 March 2024 using the same approach, and appraised the market value of the Dongguan Valuation Properties (except for the Leasehold Car Spaces) as at 31 March 2024 (being 20 residential units not yet contracted for sale, 71 commercial units not yet contracted for sale, and all the carparking spaces held for sale) to be approximately RMB155.9 million (equivalent to approximately HK$169.0 million). The Valuer has also appraised the investment value of the Leasehold Car Spaces as at 31 March 2024 to be at approximately RMB12.2 million (equivalent to approximately HK$13.3 million). No valuation was conducted for the one residential and one commercial unit which were contracted for sale but not yet completed as at 31 March 2024. For details of the valuation of the Dongguan Valuation Properties as at 31 March 2024, please refer to the March Property Valuation Report set out in Appendix IVD to this circular.

The reconciliation between the carrying value of the properties held for sales of the Dongguan Project Company as at 31 December 2023 and the market value of the Donguan Valuation Properties (except for the Leasehold Car Spaces) as at 31 March 2024 is set out below:

	HKD'000	*RMB'000*
Carrying value of properties held for sales (including the Leasehold Car Spaces) as at 31 December 2023	**170,642**	
Less: actual selling price of three residential units sold	(6,660)	
Less: exchange difference	(3,156)	
Less: impairment loss	(80)	
Carrying value of properties held for sales (including the Leasehold Car Spaces) as at 31 March 2024	**160,746**	**148,272**
Add: selling expenses and relevant tax applicable to sales of the Dongguan Valuation Properties		22,518
Less: actual selling price of one commercial unit and one residential unit contracted for sale		(2,630)
Less: investment value of the Leasehold Car Spaces as at 31 March 2024		(12,240)
Market value of the Dongguan Valuation Properties (except for the Leasehold Car Spaces) as at 31 March 2024 (property no. 1)		**155,920**

The Nanjing Project

The Disposal Group holds 51% equity interest in the Nanjing Project Company, which is the developer of the Spring Breeze* (泉悦春風) project in the Naishan ecological scenic area of Long Pao New City, Jiangbei New Area, Nanjing City, the PRC. This project is a large-scale property development project designed to build in three phases, encompassing low-rise residential units, commercial buildings, hotel apartments/serviced apartments and other ancillary facilities. The total GFA of the project is approximately 340,000 sq. m.

In June 2020, the Nanjing Project Company commenced the pre-sale of residential units for phase one of the project. However, the construction work for phase one has been suspended since August 2022 due to insufficient funding. As at 31 March 2024, the Nanjing Project Company had entered into sale and purchase agreements in respect of 42 residential units representing approximately 15.5% of the total saleable GFA of the phase-one residential units with aggregate contracted amounts of approximately RMB150.5 million. It had also entered into property subscription agreements pursuant to which the buyers had paid deposits for the purchase of certain residential units at agreed prices in the aggregate amount of approximately RMB93.2 million, subject to the signing of sale and purchase agreements. Despite the temporary suspension, the Nanjing Project Company is endeavoring to resume construction work for phase one as soon as possible.

The operations of the Nanjing Project Company were primarily funded by bank and other borrowings. The Nanjing Project Company has defaulted on the scheduled settlement of a bank loan in the principal amount of approximately RMB319.7 million since October 2022. The bank loan was secured by all the properties under development for sales held by the Nanjing Project Company and the entire equity interest in the Nanjing Project Company (including the 51% held by the Disposal Group). The Group had been engaging in negotiations with the bank on the repayment plan, however, no agreement has been reached thus far. Other financing had been sought by the Group to replace the defaulted bank loan, but to no avail. In November 2023, the entire equity interest in the Nanjing Project Company (including the 51% held by the Disposal Group) has been frozen by the court, and in December 2023, a judgement was issued by the court ordering that, among other things, the Nanjing Project Company shall repay the bank loan together with the interest, default charge, default interest and compound interest thereof to the bank, and the bank shall have the preferential rights to be paid off with the proceeds from the auction or sale of charged properties including the entire equity interest in the Nanjing Project Company. As at 31 December 2023, the outstanding interest and default charge on the said bank loan amounted to approximately HK$89.4 million and HK$35.3 million, respectively. According to a public notice dated 27 December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services), the said bank had disposed of the bank loan as non-performing assets. As at the Latest Practicable Date, the Nanjing Project Company has not been notified by any parties of the actions (if any) that may be taken by the purchaser of the said bank loan regarding the securities pledged under the bank loan.

As mentioned above, all the properties held for sales held by the Nanjing Project Company were charged to the said bank for the defaulted bank loan. Further, four pieces of land of the Nanjing Project which have already been charged to the bank (the "**Nanjing Frozen Properties**") have been subject to freezing order by the court since December 2023. The freezing order was made by the court pending the outcome of a legal proceeding initiated by an Independent Third Party (the "**Plaintiff**") against four defendants (including the Nanjing Project Company), claiming that, among other matters, the Nanjing Project Company shall be jointly liable for the payment obligations of one of the other defendants to refund a deposit which was supposed to constitute a performance bond in the sum of RMB15 million previously paid by the Plaintiff to such defendant for a construction cooperation project. According to the order from the court, the freezing order in respect of the Nanjing Frozen Properties was limited to an amount of RMB20 million. The freezing order restricts the Nanjing Frozen Properties from being transferred or mortgaged, however, since all the properties under development for sales held by the Nanjing Project Company (including the Nanjing Frozen Properties) have already been charged to the bank, the Nanjing Frozen Properties are already restricted from being transferred, leased or re-mortgaged without prior consent of the bank. In light of this, the Board considers that the freezing order does not have any additional adverse impact on the Nanjing Frozen Properties on top of the charge. Further details of the litigation are set out in paragraph (a) in the section headed "6. Material litigation" in Appendix V to this circular.

As extracted from the financial information of the Disposal Group set out in Appendix II to this circular, no revenue has been recorded by the Nanjing Project Company since commencement of operation as the Nanjing Project is still under development. As at 31 December 2023, the Nanjing Project Company recorded unaudited net liabilities of approximately HK$464.6 million, with assets including properties under development for sales of the Nanjing Project of approximately HK$863.7 million and other assets of approximately HK$105.2 million, as well as with liabilities including bank and other borrowings in the aggregate amount of approximately HK$1,044.3 million and trade and other payables of approximately HK$389.2 million.

In determining the carrying value of the properties under development for sales of the Nanjing Project as at 31 December 2023, the Company has taken into account a valuation as at 31 December 2023 by the Valuer on such property interest. The Valuer has adopted the market approach and appraised that the market value of such property interest as at 31 December 2023 to be RMB1,117 million (equivalent to approximately HK$1,233.8 million). Having considered the default of the Nanjing Project Company on the scheduled settlement of the bank loan which is secured by such property interests and the disposal of the bank loan as non-performing assets by the bank, the carrying value of the properties under development for sales of the Nanjing Project was determined based on the value for sale under repossession of such property interests as at 31 December 2023 appraised by the Valuer to be RMB781.9 million (equivalent to approximately HK$863.7 million). For details of the valuation of the properties interest of the Nanjing Project as at 31 December 2023, please refer to the December Property Valuation Report set out in Appendix IVC to this circular.

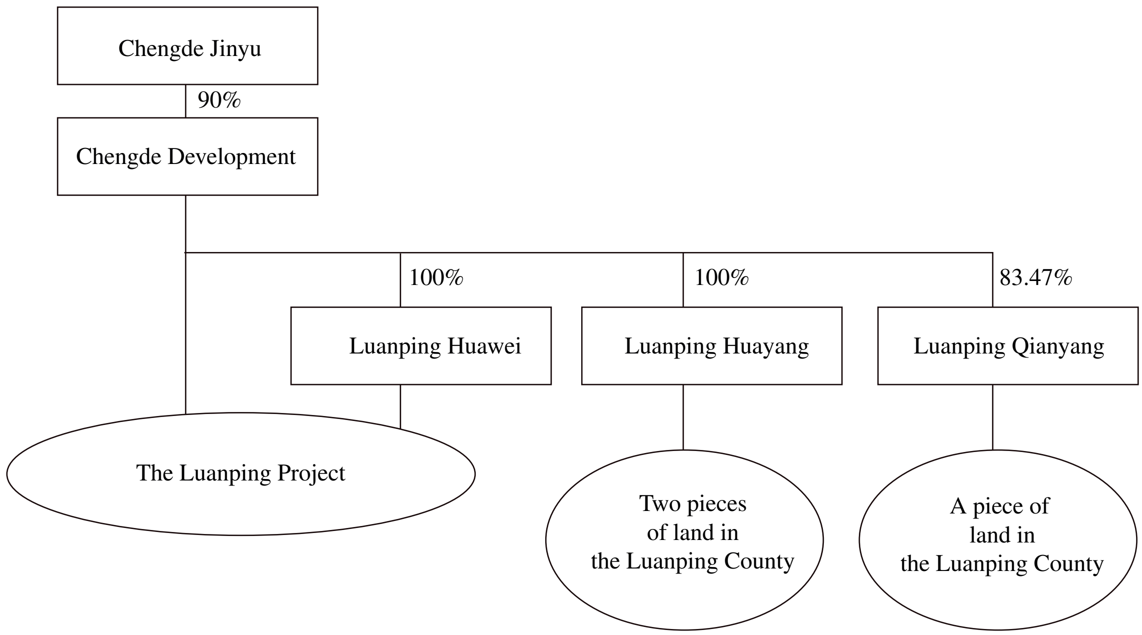
The Valuer has updated the valuation of such property interests using the same approach and appraised the market value and value for sale under repossession as at 31 March 2024 to be RMB1,115 million (equivalent to approximately HK$1,234.6 million) and RMB780.5 million (equivalent to approximately HK$846.2 million) respectively. For details of the valuation of the property interest of the Nanjing Project as at 31 March 2024, please refer to the March Property Valuation Report set out in Appendix IVD to this circular.

The reconciliation between the carrying value of properties under development for sales of the Nanjing Project as at 31 December 2023 and the value for sale under repossession as at 31 March 2024 is set out below:

	HKD'000	*RMB'000*
Carrying value of properties under development for sales as at 31 December 2023	**863,692**	
Less: exchange difference	(16,010)	
Less: impairment loss	(1,520)	
Carrying value of properties under development for sales as at 31 March 2024	**846,162**	
Value for sale under repossession as at 31 March 2024 (property no. 3)	**846,162**	**780,500**

Investment in the Chengde Jinyu Group

As mentioned above, the Disposal Group holds a 42.5% equity interest in Chengde Jinyu, which in turn owns 90% equity interest in Chengde Development. Set out below is a simplified group structure of the Chengde Jinyu Group, including subsidiaries with substantive operations and material assets:



Chengde Jinyu is an investment holding company. Save for its holding of 90% equity interest in Chengde Development, Chengde Jinyu does not have any other material assets. Chengde Development is principally engaged in operation and development of the Luanping Project. Its other assets, held through its subsidiaries, include three pieces of land in the Luanping County.

The Luanping Project

The Luanping Project is a primary land development project in the Luanping County, the PRC. Luanping County is one of the counties under the administration of Chengde City, a prefecture-level city in Hebei Province, situated northeast of Beijing. It is located at the western part of Chengde with a total area of approximately 3,195 sq. km. and is famous for tourist spots such as Jinshanling Great Wall (金山嶺長城).

The Luanping Project was included in the original development plan of the local government in accordance with the then official announcements including《灤平縣人民政府關於同意<「兩鎮一河」園區產業發展規劃(2016-2030年)>》(“**Agreement for development of Two Town and One River (2016-2030)**”), and《“兩鎮一河”產業園區總體規劃(2016年-2030年)的批覆》(“**Approval of development of Two Town and One River Scheme (2016-2030)**”). The “Two Towns and One River” referred to the Bakeshiying Town (巴克什營鎮), the Hushiha Town (虎什哈鎮) and Chaohe River Basin (潮河流域) in Luanping and they are the key components of the “Two Towns and One River” scheme, with a total area of around 426 sq. km. The local government had planned to develop the area to improve prospect for leisure and tourism and agricultural-eco tourism in Hebei Province. Pursuant to the rezoning plan of the local government in 2016, Chengde Development was engaged by the government to carry out primary land development for the Luanping Project primarily for residential and commercial development land use purpose under a government procurement process. In the course of the Luanping Project, a wholly-owned subsidiary of Chengde Development, namely Luanping Huawei, had been engaged to undertake the development of about 350 settlement apartments (返遷房) built for resettlement of certain local residents whose original dwellings had been cleared for primary land development under the Luanping Project. As at 31 March 2024, Luanping Huawei held a piece of land with a total site area of approximately 32,411 sq. m. with 35 resettlement apartments and a commercial podium, which were charged to an Independent Third Party.

The Luanping Project was initially planned to be carried out in two phases. Phase one was planned to cover a development land area of approximately 12,000 mu and be completed within eight-year timeframe (2016 to 2024). Detailed planning of the second phase of the Luanping Project had not commenced. Pursuant to the agreements entered into with the local government, Chengde Development shall bear the cost of development of the infrastructure, and the government authority is obligated to conduct land sale through auctions once the land is ready and marketable. Chengde Development will then recover its development costs and also receive (i) return on development work calculated based on pre-determined rates of return on the input of the development costs by Chengde Development; and (ii) a share of the net proceeds from the land sales by the local government after deduction of related costs and financing charges.

Since commencement of the Luanping Project in 2016 and up to the Latest Practicable Date, Chengde Development has developed land with an aggregate area of approximately 10,779 mu (the “**CD Developed Land**”). However, to-date, not much of the CD Developed Land has been sold by the local government under government land auctions. By the end of 2018, approximately 449 mu of the CD Developed Land had been sold by the local government by auction. Subsequently in 2019, the local government suspended the operations of all property development projects in Luanping County, including the Luanping Project, to address certain ecological and environmental issues in the area and no land auctions were held for any CD Developed Land in the same year. The government had resumed some land auctions but the sale activities were severely affected and delayed due to the impact of the Covid-19 pandemic and challenges in the real estate market. In 2020, there was only 445 mu in total of CD Developed Land sold under government auctions, of which 163 mu are now held by the Chengde Jinyu Group as further described below in the sub-section headed “Land holding by the Chengde Jinyu Group”. Since 2021, except for 6 mu of land assigned to the government as allocated land (劃撥用地) for public utilities use in 2021, no CD Developed Land was successfully sold/put on for land auction by the government. As at the Latest Practicable Date, the CD Developed Land that had been sold represents approximately 8.3% of all the CD Developed Land.

In 2022, the Luanping government has launched the "Chaohe River Basin (Luanping Section) Ecological Governance and Rural Revitalisation Integrated Development Project" (潮河流域(灤平段)生態治理與鄉村振興產業融合發展) (the "**EOD Project**") with the objective of developing the region for different facets of industries, hand in hand with ecological and environmental governance emphasis. It was noted that the tender of the EOD Project has been awarded to a consortium led by a state-owned construction enterprise in January 2024. No detailed information about the implementation plan for the EOD Project is available to the Group yet, however, based on Chengde Development's preliminary understanding, the EOD Project would involve a significant portion of land developed by Chengde Development, but would be mainly for non-residential and non-commercial use. If the land developed by Chengde Development were to be used for the EOD Project, they may be sold in future land auctions at a price significantly lower than previously estimated based on residential and commercial usage under the Luanping Project. This being the case, on the other hand, there is currently no indication of future land auctions of CD Developed Land by the Luanping government in the near term.

Land Holding by the Chengde Jinyu Group

In 2020, Chengde Development, through two then wholly-owned subsidiaries, Luanping Huayang acquired two pieces of land (with a total site area of approximately 63,238sq. m.) and Luanping Qianyang acquired another piece of land (with a site area of approximately 45,450 sq. m.) under land auction by the government, and they were among the CD Developed Land portfolio, with the view of speeding up the return of funds from the government and seeking opportunity to selling the land to other developers and/or join forces with them to develop the land for sale. In April 2021, Chengde Development disposed of 16.53% equity interest in Luanping Qianyang to a third party. However, Chengde Development was not able to implement or in any way realise the plan of having the three pieces of land developed due to the rapid deterioration of the market conditions during and post Covid-19 pandemic. As at 31 March 2024, a piece of land held by Luanping Huayang with a total site area of 53,293 sq. m. was charged to a bank. As at the Latest Practicable Date, the three pieces of land remain vacant. Based on the preliminary valuation as at 31 December 2023 by the Valuer on such property interest, the Valuer has adopted the market approach and appraised that the preliminary market value of such property interests as at 31 December 2023 to be RMB156.4 million (equivalent to approximately HK$172.8 million), of which approximately RMB148.2 million (equivalent to approximately HK$163.7 million) is attributable to the Chengde Jinyu Group. For details of the valuation of the properties interest held by the Chengde Jinyu Group as at 31 December 2023, please refer to the December Property Valuation Report set out in Appendix IVC to this circular.

The Valuer has updated the valuation of such property interests using the same approach and appraised their value as at 31 March 2024 to be approximately RMB156.1 million (equivalent to approximately HK$172.4 million), of which approximately RMB147.9 million (equivalent to approximately HK$163.4 million) is attributable to the Chengde Jinyu Group. For details of the valuation of the properties interest held by the Chengde Jinyu Group as at 31 March 2024, please refer to the March Property Valuation Report set out in Appendix IVD to this circular.

Financial position of the Chengde Jinyu Group

The Chengde Jinyu Group recorded revenue of approximately HK$14.0 million for the 18 months ended 30 June 2022 (representing the return on development costs and share of land sale proceeds of the Luanping Project), while no revenue was recognised for the 12 months ended 30 June 2023 and the six months ended 31 December 2023. As at 31 December 2023, the Chengde Jinyu Group recorded unaudited consolidated net liabilities of approximately HK$164.1 million, with assets including contract costs for the Luanping Project of approximately HK$1,834.7 million, the land held by Luanping Huayang and Luanping Qianyang at the carry value of approximately HK$279.7 million, trade receivables of approximately HK$232.3 million and other assets of approximately HK$121.4 million, as well as with liabilities including borrowings of approximately HK$1,364.6 million, trade and other payables of approximately HK$948.6 million, amount due to related companies of approximately HK$304.5 million and other liabilities of approximately HK$14.5 million.

Equity value of Chengde Jinyu

In determining the carrying value of the interest in Chengde Jinyu in the Disposal Group's consolidated financial statements as at 31 December 2023, the Company has taken into account a valuation on the equity value of Chengde Jinyu as at 31 December 2023 by the Valuer. The Valuer has adopted the summation method under the cost approach which involves the appraisal of the market values of all the assets of the Chengde Jinyu Group and subtract the aggregate liabilities from the aggregate market value of the assets. The Valuer has appraised that the equity value of Chengde Jinyu was of no commercial value as at 31 December 2023 as the attributable equity value to owners of Chengde Jinyu is a negative amount. As a result, an impairment loss of approximately HK$327.1 million has been recognised for the six months ended 31 December 2023 on the interest in Chengde Jinyu and the carrying value of the interest in Chengde Jinyu in the Disposal Group's consolidated financial statements as at 31 December 2023 was zero.

The Valuer has updated the valuation of the equity interest in Chengde Jinyu using the same method and approach and has appraised that the equity value of Chengde Jinyu was of no commercial value as at 31 March 2024 as the attributable equity value to owners of Chengde Jinyu is a negative amount. For details of the valuation of the equity interest in Chengde Jinyu as at 31 March 2024, please refer to the Chengde Jinyu Valuation Report set out in Appendix IVB to this circular.

Financial information of the Disposal Group

Financial results

Set out below is the key financial results items of the Disposal Group for the 18 months ended 30 June 2022, the 12 months ended 30 June 2023 and the six months ended 31 December 2023, which were extracted from the financial information of the Disposal Group set out in Appendix II to this circular and prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"):

	For the 18 months ended 30 June 2022	**For the 12 months ended 30 June 2023**	**For the six months ended 31 December 2023**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Revenue	**–**	**697,216**	**36,495**
Gross profit/(loss)	**–**	**212,814**	**(8,353)**
Administrative expenses	(64,657)	(15,954)	(4,522)
Selling and distribution expenses	(4,204)	(33,964)	(975)
Share of results of an associate (Note)	(83,747)	(37,331)	(21,303)
Impairment loss on properties under development for sales	–	–	(405,267)
Impairment loss on interest in an associate (Note)	–	(75,860)	(327,144)
Impairment loss on amount due from an associate (Note)	–	–	(68,093)
Finance costs	(25,168)	(79,520)	(102,237)
Loss before taxation	**(156,662)**	**(16,639)**	**(932,635)**
Income tax credit/(expense)	–	(166,245)	24,093
Loss after taxation	**(156,662)**	**(182,884)**	**(908,542)**

Note: The associate mentioned in the table above refers to Chengde Jinyu.

Revenue

Revenue generated by the Disposal Group during the 12 months ended 30 June 2023 and the six months ended 31 December 2023 represented the sales for residential units of the Dongguan Project recorded upon delivery of the properties to buyers.

Loss after taxation for the 18 months ended 30 June 2022

Loss after taxation of the Disposal Group for the 18 months ended 30 June 2022 amounting to approximately HK$156.7 million were mainly attributable to (i) the share of loss of Chengde Jinyu of approximately HK$83.7 million; and (ii) the administrative expenses incurred for the Dongguan Project and the Nanjing Project of approximately HK$64.6 million. The share of loss of Chengde Jinyu was mainly due to the finance costs incurred for the Luanping Project.

Loss after taxation for the 12 months ended 30 June 2023

Loss after taxation of the Disposal Group for the 12 months ended 30 June 2023 amounting to approximately HK$182.9 million was mainly attributable to (i) the income tax expense of approximately HK$166.2 million; (ii) the finance costs of approximately HK$79.5 million; and (iii) an impairment loss on the interest in Chengde Jinyu of approximately HK$75.9 million. The loss was partially offset by the gross profit of approximately HK$212.8 million resulted from the delivery of the Dongguan Project.

A substantial portion of the income tax expense was related to the land appreciation tax of approximately HK$152.5 million, which was incurred upon recognition of sales for the Dongguan Project.

The finance cost was attributable to the interests on bank and other borrowings of the Dongguan Project and the Nanjing Project.

The impairment loss on the interest in Chengde Jinyu was recognised as the recoverable amount, which was determined to be the value in use of Chengde Jinyu, was lower than its carrying amount. The value in use represents the discounted future cash flow of Chengde Jinyu in its then current condition.

In addition to the above, the loss after taxation of the Disposal Group was also attributable to the selling and distribution expenses of approximately HK$34.0 million incurred for the Dongguan Project and the share of loss of Chengdu Jinyu of approximately HK$37.3 million.

Loss after taxation for the six months ended 31 December 2023

Loss after taxation of the Disposal Group for the six months ended 31 December 2023 amounting to approximately HK$908.5 million, which was mainly attributable to (i) an impairment loss on the interest in Chengde Jinyu of approximately HK$327.1 million and an impairment loss on amount due from Chengde Jinyu of approximately HK$68.1 million; (ii) an impairment loss on the properties under development for sales of approximately HK$405.3 million; and (iii) the finance cost of approximately HK$102.2 million.

The impairment loss on the interest in Chengde Jinyu was recognised, as the recoverable amount (which was determined to be the fair value less costs of disposal as assessed by the Valuer) of Chengde Jinyu was lower than its carrying amount. In addition, the impairment loss on the amount due from Chengde Jinyu (which is calculated based on (i) the total current assets held by the Chengde Jinyu Group; multiplied by (ii) the ratio of the amount due from Chengde Jinyu to the total current liabilities of the Chengde Jinyu Group as at 31 December 2023) was recognised as Chengde Jinyu is not expected to have sufficient assets to service its debts.

The impairment loss on the properties under development for sales was recognised, as the property interests in the Nanjing Project as at 31 December 2023 was determined to be lower than its carrying amount based on the valuation. In addition, the write-down of properties held for sales of approximately HK$9.6 million was recognised as cost of sales, as the valuation of the property interests in the Dongguan Project as at 31 December 2023 was determined to be lower than its carrying amount.

Further information on the valuation of (i) the equity interest in Chengde Jinyu; (ii) the properties under development for the Nanjing Project; and (iii) the property interests in the Dongguan Project is set out in the Valuation Reports in Appendices IVA to IVD to this circular.

The finance cost was attributable to the interests on bank and other borrowings, including the default charge and penalty interest in relation to the Nanjing Project.

Assets and liabilities

Set out below is a breakdown of the unaudited assets and liabilities of the Disposal Group as at 30 June 2023 and 31 December 2023 extracted from the financial information of the Disposal Group set out in Appendix II to this circular and prepared in accordance with HKFRS:

	As at 30 June 2023 *(HK$'000)*	**As at 31 December 2023** *(HK$'000)*
Assets		
Properties under development for sales	1,249,032	863,692
Properties held for sales	211,636	170,642
Interest in an associate *(Note)*	347,610	–
Amount due from an associate *(Note)*	292,616	235,057
Trade and other receivables	91,977	102,711
Cash and bank balances	36,475	35,820
Other assets	715	732
	2,230,061	1,408,654
Liabilities		
Borrowings	1,036,753	1,058,909
The Sale Loans	176,318	176,165
Trade and other payables	203,543	297,065
Contract liabilities	176,125	173,765
Current tax liabilities	131,100	139,329
Other liabilities	34,572	3,889
	1,758,411	1,849,122
Net assets/(liabilities)		
Attributable to:		
– Owners of the Disposal Company	483,244	(189,073)
– Non-controlling interest	(11,594)	(251,395)
	471,650	(440,468)

Note: The associate mentioned in the table above refers to Chengde Jinyu.

As at 31 December 2023, the total liabilities of the Disposal Group exceeded its total assets, resulted in unaudited consolidated net liabilities of approximately HK$440.5 million, with net liabilities attributable to owners of the Disposal Company amounted to approximately HK$189.1 million.

The principal assets of the Disposal Group mainly comprised properties under development for sales of the Nanjing Project, the properties held for sales of the Dongguan Project, the interest in and amount due from Chengde Jinyu.

The carrying values of the properties under development for sales of the Nanjing Project and the properties held for sales of the Dongguan Project as at 31 December 2023 were determined based on valuation assessed by the Valuer. Further information on the valuation of the property interests in the Nanjing Project and the Dongguan Project is set out in the December Property Valuation Report set out in Appendix IVC to this circular.

The interest in Chengde Jinyu was fully impaired as at 31 December 2023 after assessment of its recoverable amount based on fair value less costs of disposal as assessed by the Valuer. The amount due from Chengde Jinyu as at 31 December 2023 represented the balance after impairment. Please refer to the profit or loss section above for details of the impairment losses.

The liabilities of the Disposal Group mainly comprised bank and other borrowings for the Nanjing Project and the Sale Loans. All bank and other borrowings were overdue as at 31 December 2023.

The accrued interests (including default charge and penalty interests) of approximately HK$180.7 million is included in the trade and other payables. The increase in trade and other payables as at 31 December 2023 was mainly attributable to the recognition of the default charge and penalty interests of the defaulted bank loan of the Nanjing Project in the aggregate amount of approximately HK$86.1 million.

Other major liabilities of the Disposal Group are contract liabilities and current tax liabilities. The contract liabilities mainly represented receipt in advance for pre-sale of the Nanjing Project. The current tax liabilities of approximately HK$139.3 million as at 31 December 2023 mainly represented land appreciation tax payable for the sales of the Dongguan Project of approximately HK$130.7 million, which will be payable when more than 85% of the project's total saleable area, including residential units, commercial units, and parking spaces, has been sold.

The financial information of the Disposal Group set out in Appendix II to this circular has been reviewed by the auditor. The Shareholders should note that the auditor did not express a conclusion and therefore issued a disclaimer of opinion on the financial information of the Disposal Group for the period from 1 January 2021 to 30 June 2022, the year ended 30 June 2023 and each of the six months ended 31 December 2022 and 2023, details of which are set out in their review report set out in Appendix II to this circular.

Reference is made to qualified opinions issued by the auditors of the Company on the Company's consolidated financial statements for the year ended 30 June 2023 in respect of, among others, (i) the Group's interest in Chengde Jinyu and the amount due from Chengde Jinyu; and (ii) the Group's properties under development for sales and prepayments for the Nanjing Project. Upon Completion, the financial results, assets and liabilities of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. Accordingly, it is expected that the aforesaid qualified opinions will be removed upon Completion.

VALUATION OF THE DISPOSAL COMPANY

The Valuer was engaged by the Company to conduct a valuation of the equity interest of the Disposal Company as at 31 March 2024 (i.e. the Sale Shares Valuation). The group structure of the Disposal Company is set out in the section headed "Information of the Disposal Group" above.

The Board has obtained and reviewed the information of the Valuer and the persons in charge of the valuations, and noted that (i) the Valuer is an experienced valuation firm with licensed and certified valuation advisory specialists and has a strong track record having served over 5,000 cases covering a wide range of industries and more than 300 listed companies and projects around the world; and (ii) the persons in charge of the business and property valuations have (a) over 10 years of valuation and corporate advisory experience and served listed companies for initial public offering, merger and acquisition and financial reporting purposes; and (b) over 18 years of experience in real estate appraisal and consulting businesses worldwide and particularly familiar with assets in Hong Kong, Macau, China and Asia Pacific Rim, respectively. Based on the above, the Board considers that the Valuer is competent and has sufficient qualification, reputation and adequate resources to perform its role. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Valuer is independent of the Company and the Purchaser, and their respective connected persons.

There are three generally accepted valuation approaches, namely the market, cost and income approaches. Details of these approaches are more particularly discussed in the subsection headed "6.1 Valuation Approaches" in the Sale Shares Valuation Report on pages IVA-6 and IVA-7 of this circular.

To select the most appropriate approach for the Sale Shares Valuation, the Valuer considered the purpose of the valuation and the resulting premise of value as well as the availability and reliability of information related to the Disposal Company to perform their analysis. They have also considered the relative advantages and disadvantages of each approach having regard to the nature and circumstances of the Disposal Company.

For the Sale Shares Valuation, the Valuer considers (i) the income approach is inappropriate as this approach requires detailed operational information and long-term financial projections of the Disposal Company but such operational and financial forecasts with concrete business plan are not available from the Management; and (ii) the market approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for its valuation. Given the fact that the Disposal Company is the holding company of a number of subsidiaries which possess material assets and liabilities relating and incidental to their respective businesses, the Valuer has therefore solely relied on the cost approach in determining their opinion of value.

The Valuer has adopted summation method under the cost approach to obtain the aggregate market value of the assets and liabilities of the Disposal Company. Under the summation method, each asset and liability of the Disposal Company is being valued using the appropriate valuation approach, and the Valuer's opinion of value is derived by adding the component assets and deducting the component liabilities.

Set out below is the valuation approach adopted by the Valuer in arriving at their valuation of the market values of the valuation components of the Disposal Group:

The valuation components:

Asset/Liability	**Valuation Approach**
(i) Properties under development for sales	This refers to the property interests held by the Nanjing Project Company. As set out in the March Property Valuation Report, the property will be developed into a low-rise comprehensive development, which consists of residential, commercial and hotel apartments/serviced apartments developments. Having considered the factors including the default of the Nanjing Project Company on the scheduled settlement of the bank loan which is secured by the property interests and the disposal of the bank loan as non-performing assets by the bank, the Valuer assessed the value for sale under repossession regarding the property interests with reference to the March Property Valuation Report. Details are set out in the row headed "Properties under development for sales" of the table in the Sale Shares Valuation Report on page IVA-8 of the circular. As set out in the March Property Valuation Report, the Valuer valued the above properties using the market approach. The Valuer assessed the total value of the property and the value for sale under repossession of the property as at 31 March 2024 as set out on page IVD-7 of this circular (property no. 3). Details of, among others, the assessment and comparables are set out in the notes of the March Property Valuation Report on pages IVD-19 to IVD-29 of this circular.
(ii) Properties held for sales	These refer to the unsold property interests together with one residential unit and one commercial unit contracted for sale as at 31 March 2024 but not yet completed held by the Dongguan Project Company. The unsold property interests include (i) 20 residential units; (ii) 71 commercial units; (iii) 110 car parking spaces held for sale; and (iv) the Leasehold Car Spaces.

Asset/Liability	Valuation Approach
	As set out in the Sale Shares Valuation Report, the Valuer assessed the market value of the properties held for sales as at 31 March 2024 after considering (i) the market value of the unsold property interests (excluding the Leasehold Car Spaces), with reference to the market value set out on page IVD-7 of the March Property Valuation Report (property no. 1); (ii) the investment value of the Leasehold Car Spaces, with reference to Note 5 of the March Property Valuation Report on page IVD-9; (iii) the market value of the 1 residential unit and 1 commercial unit contracted for sale as at the 31 March 2024 based on the actual selling price; and (iv) the relevant tax applicable to sales of properties of and selling expenses. Details of the above are set out in the row headed "Properties held for sales" in the table of the Sale Shares Valuation Report on pages IVA-8 and IVA-9 and the relevant notes to the March Property Valuation Report referred to above.
(iii) Trade and other receivables	These refer to deposits, prepayments and other receivables of the Disposal Group. As set out in the Sale Shares Valuation Report, they are mainly composed of (i) the prepayments by the Nanjing Project Company for construction work which shall be capitalized to properties under development upon completion; and (ii) the other receivables by the Nanjing Project Company which shall be offset against the other payables on its book. Therefore, the Valuer is of the view that no expected credit loss is needed and the market value approximated the book value as at 31 March 2024.
(iv) Other assets	These items consist principally of cash and bank balances and a small amount of other assets. In view of the nature of these assets, the Valuer is of the view that the market value approximated their book values as at 31 March 2024.
(v) Interest in Chengde Jinyu	This refers to the 42.5% indirect equity interest held by Ruifeng in Chengde Jinyu. With reference to the Chengde Jinyu Valuation Report, the 100% equity interest in Chengde Jinyu was of no commercial value as at 31 March 2024. Therefore, the 42.5% equity interest in Chengde Jinyu was also of no commercial value as at 31 March 2024.

Asset/Liability	Valuation Approach
	As set out in the Chengde Jinyu Valuation Report, the Valuer adopted the summation method under cost approach. Under the summation method, each asset and liability of Chengde Jinyu and Chengde Development is valued using the appropriate valuation approach, and the Valuer's opinion of value is derived by adding the component assets and deducting the component liabilities. Details of the valuation approaches considered and selection of the approach are set out in the subsections headed "6.1 Valuation Approaches" and "6.2 Selection of Approach" in the Chengde Jinyu Valuation Report on pages IVB-11 to IVB-13 of this circular. As set out in the Chengde Jinyu Valuation Report, the valuation approach in respect of the valuation components of Chengde Jinyu are as follows:

Asset/Liability		Valuation approach
(1)	*Long-term equity investment*	This refers to the holding of 90% equity interest in Chengde Development by Chengde Jinyu. The market value of the equity interest in Chengde Development is estimated by summation method under cost approach set out below.
(2)	*Other receivables*	The market value was assessed considering the underlying credit risk and time value of money. The details, methodology and parameters adopted are set out in the subsection headed "7.1 Trade Receivables and Other Receivables" in the Chengde Jinyu Valuation Report on pages IVB-14 to IVB-17.

Asset/Liability	**Valuation Approach**

Asset/Liability	**Valuation approach**
(3) *Cash and bank balances*	In view of the nature of this item, the Valuer is of the opinion that its market value approximated its book value as at 31 March 2024.
(4) *Amount due to related company*	In view of the nature of this item, the Valuer is of the opinion that its market value approximated its book value as at 31 March 2024.

As set out in the Chengde Jinyu Valuation Report, the valuation approach in respect of the valuation components of Chengde Development are as follows:

Asset/Liability	**Valuation approach**
(5) *Trade receivables and other receivables*	The market values were assessed by the Valuer considering the underlying credit risk and time value of money. The details and parameters adopted are set out in the subsection headed "7.1 Trade Receivables and Other Receivables" in the Chengde Jinyu Valuation Report on pages IVB-14 to IVB-17 of this circular.
(6) *Contract costs*	The Valuer has been advised by the management that this refers to the compensation for land and associated properties and land development fee incurred by Chengde Development up to 31 March 2024. The property interests held by Luanping Huawei (i.e. 35 residential units and a commercial podium) (i.e. property no. 2 in the March Property Valuation Report) are also accounted for in the contract costs. The market value of the contract costs were assessed by the Valuer based on the after-tax cost-plus return after considering the business risk and time value of money. The details thereof, including the key parameters adopted, are set out in the subsection headed "7.2 Contract Costs" in the Chengde Jinyu Valuation Report on pages IVB-17 to IVB-22 of this circular.

Asset/Liability	**Valuation Approach**	
	Asset/Liability	**Valuation approach**
	(7) Prepayments	The Valuer has been advised by the management that the prepayments represent the amounts paid to construction companies for work that has been completed, and they shall be offset against the corresponding trade payables on the book. Therefore, the book value of the prepayments was taken as the market value by the Valuer.
	(8) Inventories	The market value was made with reference to the market value of the inventories set out in the March Property Valuation Report on page IVD-7 (property no. 4) of this circular after considering the equity interests in Luanping Huayang (i.e. 100%) and Luanping Qianyang (i.e. 83.47%) held by Chengde Development. As set out in the March Property Valuation Report, the Valuer valued the above properties using the market approach. Details of the comparables and bases of selection are set out in the notes of the March Property Valuation Report on pages IVD-30 to IVD-34 of this circular.
	(9) Other assets	The other assets include property, plant and equipment (which are office equipment, furniture and fixture) and cash and bank balances. In view of the nature of these assets, the Valuer is of the opinion that their market values approximated their book values as at 31 March 2024.

Asset/Liability	Valuation Approach	
	Asset/Liability	**Valuation approach**
	(10) All liabilities	The liabilities are comprised of trade and other payables, borrowings, amounts due to related companies and current tax liabilities. In view of the nature of these liabilities, the Valuer has concluded that their market values approximated their book values as at 31 March 2024.
(vi) Amounts due from Chengde Jinyu	These refers to the amounts due from the Chengde Jinyu Group and an expected credit loss assessment has been conducted to determine the recoverable amount. The expected recoverable amount was estimated by multiplying the total current assets held by the Chengde Jinyu Group by the ratio of the amounts due from the Chengde Jinyu Group to the total current liabilities of the Chengde Jinyu Group as at 31 March 2024. The Valuer estimated the recoverable amount based on (i) the market values of the total current assets with reference to the Chengde Jinyu Valuation Report; and (ii) the book values of the total current liabilities and the amounts due from the Chengde Jinyu Group.	
(vii) Other liabilities	These items include borrowings, amounts due to holding company (i.e. the Sale Loans), trade and other payables, contract liabilities, current tax liabilities and other liabilities. In view of the natures of these items, the Valuer is of the view that their market values approximated their book values as at 31 March 2024.	

The Board has reviewed the valuation methodologies, key assumptions and parameters adopted in the valuations and expected credit loss assessments as set out in the Valuation Reports, and is satisfied that they are fair and reasonable. In arriving at the above view, the Board had, in respect of the valuation components, performed fact-checking to ensure that there were no contradictions or omissions of material information and assessed the reasonableness of the key assumptions and parameters adopted by the Valuer according to the best knowledge, information and belief of the Directors and, in particular, the following:

(a) in respect of (i) above, the Board discussed with the Valuer on the assessment of, among others, the gross development value, construction costs and other expenses relating to the property development in arriving at the total value of the property, and discussed the same with the management of the Nanjing Project Company, to assess the reasonableness thereof;

(b) in respect of (ii) and (v)(8) above, the Board discussed with the Valuer on the comparables, the selection basis and any adjustments made by them (such as in respect of location, size or whether a comparable is listed or transacted), and discussed the same with the management of the property project companies, respectively, to assess the reasonableness thereof. The Board noted that the Valuer (i) has adopted listing comparables (and not transaction comparables) to assess the market value of the properties of the Dongguan Project and the Nanjing Project; (ii) has made relevant adjustment to the listing price of second-hand listing comparables as they may be subject to negotiation and therefore may not necessarily reflect the final transacted price; and (iii) confirms that the above practices are common industry practices. The Board noted that the Valuer had made enquiries with the respective housing bureaus of Nanjing City and Dongguan City, which are the relevant authorities with oversight over property transactions in such locations, and reviewed their websites, and noted that no historical property transaction records for comparable properties were available to the public. As far as the Board is aware, there are no historical property transaction records (except for land transactions) in the PRC which are available to the public. The Board has also exhausted its effort in identifying/searching for comparable properties with historical transaction information available to the public (including reviewing the abovesaid websites) and noted the same;

(c) in respect of (iii) above, based on its understanding of the nature of the receivables, of which the majority related to construction work which had been completed but for which invoices had not yet been issued at the material time but have been issued subsequently and the other receivables by the Nanjing Project Company which shall be offset against the other payables on its book, and, in respect of the remaining receivables amounts, the identities, background and financial situation of the counterparties, the Board considered the risk of default to be low;

(d) in respect of (v)(2) and (v)(5) above, the Board discussed with the Valuer on the adopted parameters, including the expected loss rate for assessing the underlying credit risk and the discount rate for assessing the time value of money, and the sources of such information and assessed the reasonableness of the adoption of said parameters as pertaining to the counterparties, primarily being the PRC government;

(e) in respect of (v)(6) above, the Board discussed with the Valuer on the adopted parameters, in particular the inputs for derivation of the discount rate based on the weighted average cost of capital ("**WACC**") of Chengde Development, and the sources of such information, to assess the reasonableness thereof; and

(f) in respect of (vi) above, the Board understood that book value already affected relevant expected credit loss which was no different to that assessed by the Valuer.

In respect of the assumptions of the Valuer set out in the December Property Valuation Report and the March Property Valuation Report, the Board noted that, among other things, the Valuer has made no allowance for any encumbrances, such as mortgage, debenture or other charges, and did not consider the freezing orders over the Dongguan Frozen Properties and the Nanjing Frozen Properties. In this respect, the Board has discussed with the Valuer and noted that in preparing the valuations, the Valuer has complied with, among others, the HKIS Valuation Standards 2020 Edition published by The Hong Kong Institute of Surveyors ("**HKIS**"), which states that "when assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded" and, as understood from the Valuer, "any encumbrances" as referred to therein shall include the mortgages over the relevant property interests and the freezing orders over the Dongguan Frozen Properties and the Nanjing Frozen Properties. As a result, the Board considers that the Valuer not taking into account the abovesaid encumbrances in respect of the property interests of the Disposal Group and the Chengde Jinyu Group in determining their market value as at 31 December 2023 and 31 March 2024 is fair and reasonable.

The market value of the valuation components of the Disposal Group as appraised by the Valuer as at 31 March 2024 are set out in the table below.

	HK$' million
Assets	
Properties under development for sales	846.2
Properties held for sales	160.7
Trade and other receivables	108.5
Other assets	16.9
Interest in Chengde Jinyu *(Note)*	–
Amounts due from Chengde Jinyu	236.1
	1,368.4
Liabilities	
Borrowings	(1,039.3)
Trade and other payables	(305.5)
Contract liabilities	(167.8)
Current tax liabilities	(135.9)
The Sale Loans	(176.1)
Other liabilities	(3.5)
Total liabilities	**(1,828.1)**
Net liabilities	
Attributable to:	
– Owners	(202.7)
– Non-controlling interest	(257.0)
	(459.7)

Note: *This represents the 42.5% equity interest in Chengde Jinyu, which has been appraised by the Valuer at no commercial value as at 31 March 2024.*

Based on the above, the market value of all the assets of the Disposal Group after subtracting from its aggregate liabilities amounted to a negative amount of HK$459.7 million as at 31 March 2024. Taking into account of the non-controlling interests of members of the Disposal Group, the equity value attributable to owners of the Disposal Company was in the negative of HK$202.7 million as at 31 March 2024. As the attributable equity value to owners of the Disposal Company is a negative amount, the Valuer has appraised that the Sale Shares were of no commercial value as at 31 March 2024.

The valuation reports on (i) the Sale Shares, (ii) Chengde Jinyu and (iii) properties interests held by the Disposal Group and the Chengde Jinyu Group are set out in Appendices IVA to IVD to this circular.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to have any interests in the Disposal Company, and the Disposal Company will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. The continuing operation and businesses of the Remaining Group will be principally in manufacturing and trading of healthcare and household products, coal mining business and the money lending business. The healthcare and household business will be the primary revenue source of the Remaining Group, details of which are set out in the section headed "Businesses of the Remaining Group" below.

Potential financial impacts of the Disposal:

(i) *Pro-forma financial position of the Remaining Group:*

(a) Net asset position

As disclosed in the interim report of the Group for the six months ended 31 December 2023, (i) the unaudited consolidated total assets of the Group were approximately HK$2,188.2 million; (ii) the unaudited consolidated total liabilities of the Group were approximately HK$2,130.1 million; and (iii) the consolidated net assets of the Group were approximately HK$58.1 million as at 31 December 2023. The net assets per Share was approximately HK$0.0045 per Share as at 31 December 2023.

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix III to this circular, assuming Completion has taken place on 31 December 2023, (i) the unaudited pro-forma consolidated total assets of the Remaining Group would be approximately HK$774.8 million; (ii) the unaudited pro-forma consolidated total liabilities of the Remaining Group would be approximately HK$403.4 million; and (iii) the unaudited pro-forma consolidated net assets of the Remaining Group would be approximately HK$371.4 million. The unaudited pro-forma net assets per Share would be approximately HK$0.029 per Share. The aforesaid amount of the estimated net assets per Share is for illustration only.

(b) Indebtedness and gearing position

As at 31 December 2023, the Group had unaudited total debts of approximately HK$1,365.2 million and the Group's gearing ratio, calculated based on total debts divided by total equity, was approximately 2,350.6%.

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix III to this circular, assuming Completion has taken place on 31 December 2023, the unaudited pro-forma total debts of the Remaining Group would be HK$306.3 million and the Remaining Group's gearing ratio would be approximately 82.5%.

(c) Current assets position

The unaudited net current liabilities of the Group as at 31 December 2023 amounted to approximately HK$526.8 million.

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix III to this circular, assuming the Completion has taken place as at 31 December 2023, the unaudited pro-forma net current assets of the Remaining Group amounted to HK$33.4 million. Such improvement was mainly due to (i) the extension of the repayment dates of the principal of the Shareholder's Loans from 31 December 2024 to 31 December 2027 upon Completion, resulting in the reclassification of the Shareholder's Loans from current liabilities to non-current liabilities; (ii) the deconsolidation of the net current liabilities of the Disposal Group (after adjustment of the Sale Loan) of approximately HK$261.1 million as at 31 December 2023; and (iii) the reduction of current liabilities resulting from the offsetting of the Sale Shares Consideration against the Shareholder's Loans Accrued Interest.

The aforesaid unaudited pro-forma financial position of the Remaining Group is for illustrative purpose only.

(ii) Gain on Disposal:

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix III to this circular, assuming the Disposal has been completed on 31 December 2023, the gain on disposal recognised by the Remaining Group would have been approximately HK$7.8 million. As mentioned in section headed "The Disposal Agreement" above, the Sale Shares Consideration of approximately HK$53.7 million exceeds the Adjusted Disposal Group Net Liabilities Position in absolute value of approximately HK$66.6 million. However, when calculating the gain/loss on Disposal according to the applicable accounting standards, cumulative exchange losses related to the Disposal Group in its foreign currency translation reserve amounting to approximately HK$54.1 million (a non-cashflow item) as at 31 December 2023 will be reclassified from the reserve account to loss when the gain or loss on disposal is recognised. Further analysis on the estimated gain arising from the Disposal is as follows:

	(HK$' million)
Consideration	53.7
Less:	
– *Assets/(liabilities) associated with the Sale Shares and the Sale Loans: (Note)*	
(i) the Disposal Group Net Liabilities Position	(189.1)
(ii) the Sale Loans	176.2
	66.6
Less:	
– Cumulative exchange differences on translation of currency of foreign subsidiaries *(Note)*	54.1
– Estimated expenses for the Disposal	4.7
Gain on Disposal	**7.8**

Note: *The consolidated financial statements of the Group are presented in HK$, which is the Company's functional and presentation currency. In accordance with the relevant accounting standards and accounting policy of the Group, the exchange differences resulting from the translation of the results and financial position of the Disposal Group to the presentation currency of the Group are recognized in other comprehensive income and accumulated in the foreign currency translation reserve of the Group. Due to the depreciation of RMB against HK$ over the past years, the Group had recorded cumulative exchange losses relating to the Disposal Group in its foreign currency translation reserve amounting to approximately HK$54.1 million as at 31 December 2023. Upon Completion, the cumulative exchange differences relating to the Disposal Group shall be reclassified from the reserve account to profit or loss as part of the gain or loss on the Disposal. As a result, upon Completion, cumulative exchange differences of HK$54.1 million in the reserve account of the Group would be reclassified to part of the gain on Disposal as mentioned above.*

The aforesaid estimation is for illustrative purpose only and does not purport to represent the gain or loss from the Disposal of the Group upon Completion. The actual financial effects of the Disposal will be determined with reference to the financial status of the Disposal Group as at the Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since 2020, the Disposal Group has been facing a challenging business environment in the property development sector in the PRC. This has been primarily caused by several factors, including, among others, tightening loan regulations for property developers, weak demand in the housing market, delays in the land sale of the Luanping Project and the prolonged impact of the Covid-19 pandemic.

As mentioned above, the Disposal Group has incurred significant losses for each of the 18 months ended 30 June 2022, the 12 months ended 30 June 2023 and the six months ended 31 December 2023. As at 31 December 2023, the outstanding borrowings (excluding the Sale Loans) of the Disposal Group amounted to approximately HK$1,058.9 million, all of which were overdue. The Disposal Group Net Liabilities Position amounted to approximately HK$189.1 million, and the Adjusted Disposal Group Net Liabilities Position amounted to approximately HK$12.9 million.

The Directors are of the view that the outlook of the Group's property projects in the PRC remains highly uncertain. The unfavourable market conditions have made it challenging to sell the remaining residential units, commercial units and car parking spaces of the Dongguan Project within a short period of time. Meanwhile, it is not expected that the Nanjing Project would have a quick turnaround of its financial position to generate revenue from further pre-sale of the development properties. The Directors expect that the current status and substantial indebtedness of the Disposal Group are not likely to be resolved in the near term and the Disposal Group and the Chengde Jinyu Group will continue to have adverse impacts on the Group in terms of liquidity, gearing and resources allocation if the Group remains as the holding company/single largest shareholder (as the case may be) of them. Equally for the investment in Chengde Jinyu, the Directors consider that considerable long holding time would be needed for the investment to come to fruition; in face of the current difficulties of the operation of the Luanping Project as mentioned in the section headed "Investment in the Chengde Jinyu Group" above.

In an effort to alleviate the financial burden caused by the changing business environment and challenges as mentioned above, the Group has been exploring various alternatives to restructure its business. As disclosed in the Company's announcement dated 24 September 2021, in September 2021, the Group attempted to dispose of the Disposal Group as a means to offload such burden. However, despite having all the conditions fulfilled, the then buyer did not proceed to completion, leading to the termination of the then disposal in January 2023. As disclosed in the Company's annual report for the year ended 30 June 2023, in October 2023, the Group entered into a memorandum of understanding with another potential buyer for the disposal of the Group's property projects in the PRC. However, subsequently in December 2023, the potential buyer notified the Company that it had decided not to proceed with the disposal.

Recognising the gravity of the situation, the Company approached the Purchaser, who is a substantial Shareholder and non-executive Director, with a proposal for business realignment and debt restructuring, which has resulted in the conclusion of the Disposal Agreement after arm's length negotiations between the parties. The possible financial impacts of the Disposal on the Group are set out in the section headed "Financial effects of the Disposal" above. The Directors are of the view that the impacts are favourable to the Group overall.

The auditors of the Company have issued qualified opinions on the Company's consolidated financial statements for the year ended 30 June 2023 in respect of, among others, (i) the Group's interest in Chengde Jinyu and the amount due from Chengde Jinyu; and (ii) the Group's properties under development for sales and prepayments for the Nanjing Project. Details are contained in the 2022/23 annual report of the Company. Upon Completion, the financial results, assets and liabilities of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. Accordingly, it is expected, and the auditors of the Company are also of the view, that the aforesaid qualified opinions can be removed upon Completion. However, there will be qualified opinion regarding the gains/losses arising from the Disposal which will be charged to profit or loss of the Group.

Taking into account the factors above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) consider that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole and are not aware of there being any material disadvantages of the Disposal to the Company.

BUSINESSES OF THE REMAINING GROUP

After Completion, the Remaining Group will be principally engaged in the manufacturing and trading of healthcare and household products, the coal mining business and the money lending business. It will no longer be engaged in the property development and primary land development business following the Disposal. Nevertheless, it will continue to hold an investment in a property development project in Malaysia, which is accounted as interest in associate of the Remaining Group. The healthcare and household business will continue to be the primary revenue base of the Remaining Group.

Healthcare and household products business

The business is operated through the Group's wholly-owned subsidiary of the Company named Fairform Manufacturing Company Limited ("**Fairform**"). Since 1996, Fairform has been engaged in manufacturing of powered oral care products and hair trimming products, specialising in the production of powered toothbrushes for both adults and kids. Over the years, the Group has continuously innovated its product with advanced features such as vibration, rotary oscillation, and sonic technology.

During 1996 to 2001, Fairform's development capabilities has evolved by firstly producing vibration toothbrushes and gradually transitioned to rotary oscillation and sonic toothbrushes. To stay competitive in the market, the Group maintains a strong research and development team for Fairform to ensure its products will stay ahead of and meet consumers' demands for enhancing quality performance and products features variety. The Group keeps introducing new products, ranging from handy disposable oscillation toothbrush, to slim sonic toothbrushes with a compact design without compromising performance, to sonic toothbrushes 40,000 strokes per minute. The high performance of this sonic toothbrushes product best speaks the strong technological and manufacturing ability of the Group among its peers. Continuing with their commitment to innovation, in 2016, the Group incorporated Bluetooth technology into their toothbrushes, allowing users to connect their devices and access personalised brushing data and features. This technology and product integration brings to consumers new experience in personal hygiene maintenance and enjoyment. In 2020, the Group introduced a powered toothbrush with interactive features, including light-up technology, built-in waterproof speaker with music, sound effects, and real-time brush feedback, along with a brushing timer for children to make teeth brushing more interesting and fun. The Group also has a line of powered toothbrush products featuring popular cartoon characters and printed foil designs for children from early age.

The Group has established partnerships with prominent global brands in the capacity of original equipment manufacturer ("**OEM**") and/or a manufacturer of private label products. As an OEM, the Group manufactures products according to the specific requirements of its customers, including design, materials, and techniques. Notably, the Group has collaborated with a renowned multinational consumer goods corporation for over 18 years, producing powered toothbrushes for children featuring licensed cartoon designs from a multinational mass media and entertainment conglomerate. As a private label model manufacturer, the Group is responsible for the design and production process, while customers will market them under their own brands. Majority of the Group's products are for export and are eventually distributed in retailers. The United States of America is the largest export market for the Group, followed by Germany. The Group also sells to customers from other markets in the United Kingdom, Hong Kong and other countries.

The Group's products are manufactured in its own production facility located in Dongguan City, the PRC. This factory holds ISO9001 and ISO14000 certification. With an annual production capacity of over 10 million pieces of powered devices. From 2019 to 2023, the Group has produced between approximately 6.7 million and 12.2 million pieces of powered devices. This track record demonstrates the Group's capability to meet the industry's evolving demands for technology change and performance, while maintaining a high level of product output and quality.

Fairform is led by a management team with over 20 years of experience in design and manufacturing of consumer electronic goods. Currently, Fairform employs a workforce of over 500 employees. The Group distinguishes itself from its competitors with its robust in-house research and development capabilities, including mould making, and software programming and high-efficiency machines. This comprehensive range of capabilities empowers the Group to oversee the entire production process, from initial design to final manufacturing, resulting in seamless quality control and efficient delivery from raw materials to finished products.

The Group's healthcare and household products business demonstrated strong performance prior to the Covid-19 pandemic, reaching an average revenue of approximately HK$191.7 million for the three years ended 30 June 2020. The outbreak of the Covid-19 pandemic had a significant impact on global logistics and shipment, resulting in fluctuations in revenue for the healthcare and household products business. For the year ended 30 June 2021, revenue decreased to HK$121.2 million. Subsequently, revenue increased to approximately HK$158.7 million for the year ended 30 June 2022, followed by HK$172.4 million for the year ended 30 June 2023. The increase in revenue was attributable to the significant increase in purchase orders from its key customers particularly in the latter part of year 2022, which was driven by the concerns about potential disruptions in the supply chain resulting from Covid-19 control measures in the PRC. However, as the year 2023 progressed, the customers initiated a destocking process and reduced their orders placed with the Group in order to manage the inventory level. There was also a decline in sales of disposable powered toothbrushes with non-replaceable batteries in the European market. As a result, revenue for the six months ended 31 December 2023 recorded a decline, reaching approximately HK$47.3 million. Based on the information currently available to the Company, revenue for the healthcare and household products business amounted to approximately HK$71.0 million for the nine months ended 31 March 2024.

Driven by growing environmental consciousness globally, it is likely that the decline in sales of disposable powered toothbrushes with non-replaceable batteries may continue in the near future. Nevertheless, the Group is well-prepared for this potential development. In fact, the Group has already developed products which are more eco-friendly, such as rechargeable powered toothbrushes with replaceable heads. With its strong in-house research and development capabilities and adaptability to market trends and long-term relationship with key customers, the Group is confident that it could work with its customers to develop products that meet consumer's needs and adapt to any change in market trend.

The Group is optimistic about Fairform's future performance and for the revenue to return to pre Covid-19 levels, on the strength of its proven product quality and the new products scheduled to be launched in the coming 12 months. The Group anticipated that sales will regain momentum in the second quarter of 2024 as the destocking effect diminishes and customers gradually replenish their inventory levels in preparation for the holiday season in the latter half of the year. Such momentum is expected to continue into the year ending 30 June 2025 until the destocking effect fully dissipates.

The Group plans to release new products in the coming 12 months to meet the demand of market trend and consumers' needs. The highlights will be the introduction of (i) a sleek, sonic powered toothbrush with a modern design that adds style and visual appeal (the "**Sleek PTB**"); and (ii) a new powered toothbrush with both sonic and rotary oscillation functions, the combination of which creates a dynamic brushing action for effective plaque removal from teeth and along the gumline (the "**Sonic-Oscillation PTB**"). The Group believes that these new products will have the competitive edge to gain a notable market presence. Mass production tooling of the Sleek PTB has been completed while pilot tooling of the Sonic-Oscillation PTB has started for design validation, with mass production tooling expected to commence in the third quarter of year 2024. For these new products, the Group will prioritise its current markets in the United States and Europe, while also exploring potential opportunities in South East Asia and other markets. As at the Latest Practicable Date, the Group has identified a customer with indicative purchase amount of these new products for sale in large hypermarket chain in the United States. The pilot sales and subsequent full launch of the Sonic-Oscillation PTB is planned for the fourth quarter of year 2024 and early 2025, respectively, and the Sleek PTB is targeted to be launched in the first quarter of year 2025. The Group is also in discussions with potential customers for sales of the new products to retail chains in Europe and considering to sell them on online retail platforms in South East Asia.

Coal mining business

The Remaining Group is also engaged in the coal mining business in the Central Kalimantan Province in the Republic of Indonesia. In September 2023, the Group entered into an exclusive cooperation agreement with an independent operator which shall carry out production activities at the coal mine for a valid period of five years. The work and budget plan of the coal mining business for the years 2024 to 2026 has been approved by the Indonesian Government in December 2023. The production activities has been commenced by the operator in early May 2024, and the Group will be entitled to receive royalty fees based on the amount of coal which is sold and shipped. Production volume will gradually ramp up and is expected to reach 500,000 tons and 600,000 tons for the years ending 30 June 2025 and 2026, respectively. Once the operations have been streamlined and running smoothly, the Group may also consider to apply to the government to uplift the approved production levels.

Money lending business

The Remaining Group will continue to monitor the repayment of its existing loan portfolio of the money lending business. In view of the recent market sentiment, the Group does not intend to grant new loans in the near future.

Investment in the property development project at Port Dickson, Malaysia

The Remaining Group holds a 35% equity interest in Pacific Memory Sdn Bhd ("**Pacific Memory**") which is accounted for as an associate of the Remaining Group. It is engaged in commercial development at Port Dickson, Malaysia with facilities including a hotel, yacht club, event venues and retail spaces and related amenities. The development plan has been submitted for approval to the relevant government agencies and part of the plan relating to the construction of berths has already been approved and completed. Currently, the management is in the process of finalizing the sales and marketing plans in collaboration with a business consultant specifically for the berths facilities area.

Intentions on the Remaining Group

As at the Latest Practicable Date, apart from the Disposal, the Group does not have any intention, negotiation, agreement, arrangement, and understanding (concluded or otherwise) about: (i) acquisition or injection of any new business into the Remaining Group; and (ii) disposal or downsizing of any business of the Remaining Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

As the Purchaser is a non-executive Director and a substantial Shareholder of the Company, and therefore a connected person of the Company pursuant to the Listing Rules, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Accordingly, the Disposal is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Purchaser has abstained from voting on the Board resolutions to approve the Disposal. Except for the Purchaser, no other Director is required to abstain from voting at the Board meeting in relation to the approval of the above matters.

SGM

The SGM will be held at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong on Friday, 19 July 2024 at 11:00 a.m. for the Shareholders to consider and, if thought fit, to approve, among other things, the Disposal Agreement and the transactions contemplated thereunder.

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend 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 and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall 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 the Shareholders at the SGM will be taken by poll. The Purchaser and his associates are required under the Listing Rules to abstain from voting on the resolution approving the Disposal at the SGM. As at the Latest Practicable Date, the Purchaser holds 1,569,420,951 Shares, representing approximately 12.24% of the issued share capital of the Company. To the best of the information, knowledge and belief of the Directors having made reasonable enquiries, none of the associates of the Purchaser hold any Shares as at the Latest Practicable Date.

Save for the Purchaser, to the best of the information, knowledge and belief of the Directors after having made reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting in the SGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, has been established to advise the Shareholders as to (i) whether the terms of the Disposal are fair and reasonable; (ii) whether the Disposal is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the Disposal. Gram Capital Limited has been appointed as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Shareholders in the same regard.

RECOMMENDATIONS

The Directors (excluding members of the Independent Board Committee whose view is set out below and in the section headed "Letter from the Independent Board Committee" in this circular) consider that the terms of the Disposal Agreement are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding members of the Independent Board Committee) recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having considered the advice of the Independent Financial Adviser, is of the opinion that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

ADDITIONAL INFORMATION

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

Completion is subject to the satisfaction of the conditions precedent under the Disposal Agreement, and therefore, the Disposal may or may not proceed to Completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

ZHONGZHENG INTERNATIONAL COMPANY LIMITED
中證國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 943)

28 June 2024

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ALL THE EQUITY INTEREST IN HONG KONG ZHONGZHENG CITY INVESTMENT LIMITED AND SHAREHOLDER'S LOANS DUE FROM SHENZHEN ZHONGZHENG RUIFENG MANAGEMENT COMPANY LIMITED

We refer to the circular of the company dated 28 June 2024 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Shareholders as to whether, in our opinion, (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders as to the voting in respect of the ordinary resolution to be proposed at the SGM to approve the Disposal. Gram Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this regard. Details of the advice from the Independent Financial Adviser, together with the principal factors and reasons they have taken into consideration in arriving in such advice, are contained in their letter set out in pages 49 to 82 of the Circular. Your attention is also drawn to the letter form the Board and the additional information set out in the appendices to the Circular.

Having considered the terms of the Disposal Agreement and the advice from the Independent Financial Adviser, we consider (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,
Independent Board Committee

Mr. Hau Chi Kit	**Mr. Leung Chi Hung**	**Mr. Li Hon Kuen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

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

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 June 2024

To: The independent board committee and the independent shareholders of Zhongzheng International Company Limited

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 28 June 2024 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 6 May 2024 (after trading hours), the Company, GPI (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement for the purpose of realigning the Group's business and relieving the Group from the burden of the debt-ridden Disposal Group on the overall financial position of the Group. The salient terms of the Disposal Agreement are as follows:

(i) GPI selling to the Purchaser the Sale Shares, which represent the entire equity interest in the Disposal Company, for a consideration of approximately HK$53.7 million, which shall be satisfied by the Purchaser by offsetting against the outstanding interest accrued on the Shareholder's Loans owed by the Company to him up to the date of the Disposal Agreement on a dollar for dollar basis;

(ii) the Company selling to the Purchaser the Sale Loans (which are unsecured), which represent the aggregate amount (including principal and interest) owed by Ruifeng (an indirect wholly-owned subsidiary of the Disposal Company) to the Company for a nominal cash consideration of HK$1; and

(iii) subject to and upon Completion, the Purchaser extending the repayment date of the principal of the Shareholder's Loans (which are unsecured) (plus accrued interest) from 31 December 2024 to 31 December 2027.

With reference to the Board Letter, the Disposal constitutes a very substantial disposal and connected transaction of the Company and is subject to, among others, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Disposal are on normal commercial terms and are fair and reasonable; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Disposal at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationship or interest between Gram Capital Limited and the Company; or (ii) any services provided by Gram Capital Limited to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital Limited's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors 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 Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Disposal Group. Since we are not experts in the valuation of assets or business, we have relied upon the Sale Shares Valuation Report prepared by the Valuer as set out in Appendix IVA to the Circular for the value of the Sale Shares as at 31 March 2024 after performing our work on the Sale Shares Valuation Report as set out under the sub-section headed "Considerations – *Valuations*" under the section headed "II. PRINCIPAL TERMS OF THE DISPOSAL" below.

The 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 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 therein 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 in-depth investigation into the business and affairs of the Company, the Disposal Company, the Purchaser or their respective subsidiaries or associates, nor have we considered the legal requirements applicable to the Completion or the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market 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 any material 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. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital Limited to ensure that such information has been correctly extracted from the relevant sources and such sources are reliable.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. BACKGROUND OF THE DISPOSAL

Information on the Group

With reference to the Board Letter, the Group is principally engaged in (i) property development; (ii) manufacturing and trading of healthcare and household products; (iii) coal mining business; and (iv) money lending business.

Set out below is the audited consolidated financial information of the Group for the year ended 30 June 2023 and the period from 1 January 2021 to 30 June 2022 (the Company's year-end date was changed from 31 December to 30 June) as extracted from the Company's annual report for the year ended 30 June 2023 (the "**2022/23 Annual Report**"):

	For the year ended 30 June 2023 ("FY2022/23") *HK$'000*	**From 1 January 2021 to 30 June 2022** *HK$'000*
Total revenue	872,910	208,995
– Property development	*697,216*	*–*
– Manufacture and sales of healthcare and household products	*172,421*	*202,822*
– Interest income from money lending business	*3,273*	*6,173*
Gross profit	253,687	54,914
Profit/(loss) from operations	405,192	(101,928)
Profit/(loss) attributable to owners of the Company	69,131	(347,517)
	As at 30 June 2023 *HK$'000*	**As at 30 June 2022** *HK$'000*
Net current assets	68,305	147,721
Net assets	962,536	1,015,557

As illustrated in the above table, the Group's total revenue for FY2022/23 was approximately HK$873 million, mainly contributed from (a) property development; and (b) manufacture and sales of healthcare and household products. With reference to the 2022/23 Annual Report and as confirmed by the Directors, the Group's revenue generated from property development was mainly attributable to delivery of the Dongguan Project in July 2022 and recognition of revenues from pre-sale payments.

As illustrated in the above table, the Group's profit from operations was approximately HK$405 million for FY2022/23 (with other income and other gains and losses of approximately HK$269 million). The profit attributable to owners of the Company was approximately HK$69 million.

With reference to the 2022/23 Annual Report, (i) the Group incurred net operating cash outflow of approximately HK$68 million for FY2022/23; (ii) as at 30 June 2023, the Group's current portion of bank and other borrowings was approximately HK$1,062 million, while its cash and bank balances and cash equivalents amounted to approximately HK$41 million; and (iii) during FY2022/23 and subsequent to the end of FY2022/23, the Group had not repaid certain borrowings according to their scheduled repayment dates. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern (the "**Going Concern Uncertainty**"). The Company's auditor also issued qualified opinion on the Group's financial statements for FY2022/23.

Set out below are the unaudited consolidated financial information of the Group for the six months ended 31 December 2023 (with comparative figures) as extracted from the Company's interim report for the six months ended 31 December 2023 (the "**2023 Interim Report**"):

	For the six months ended 31 December 2023 ("HY2023/24") *HK$'000*	**For the six months ended 31 December 2022 ("HY2022/23")** *HK$'000*	**Change** *%*
Total revenue	84,070	746,476	(88.74)
– *Property development*	*36,495*	*632,606*	*(94.23)*
– *Manufacture and sales of healthcare and household products*	*47,291*	*113,217*	*(58.23)*
– *Interest income from money lending business*	*284*	*653*	*(56.51)*
Gross profit	5,808	198,132	(97.07)
Profit/(loss) from operations	(21,421)	141,502	N/A
Loss attributable to owners of the Company	(694,210)	(34,736)	1,898.53%

	As at 31 December 2023 *HK$'000*	**As at 31 December 2022** *HK$'000*	**Change** *%*
Net current (liabilities)/assets	(526,761)	68,305	N/A
Net assets	58,081	962,536	(93.97)

As illustrated in the above table, the Group's total revenue was approximately HK$84 million for HY2023/24, represented a decrease of approximately 88.74% as compared to that for HY2022/23. With reference to the 2023 Interim Report, such decrease was mainly due to (i) decline in revenue from the property development as majority of Dongguan Project's residential units was delivered in July 2022 and revenue from the pre-sale payments was recognised accordingly in HY2022/23; and (ii) decline in revenue generated from healthcare and household products business due to destocking by the Group's overseas customers. Along with decrease in the Group's total revenue, the Group's gross profit decreased by approximately 97.07% from HY2022/23 to HY2023/24.

As illustrated in the above table, the Group's loss from operations was approximately HK$21 million and loss attributable to owners of the Company was approximately HK$694 million for HY2023/24. The loss attributable to owners of the Company for HY2023/24 increased by approximately 19 times as compared to that for HY2022/23. With reference to the 2023 Interim Report, such increase was mainly due to (i) loss from operations for HY2023/24 as compared with profit from operations for HY2022/23; (ii) impairment loss on amount due from an associate; (iii) impairment loss on properties under development for sales; (iv) impairment loss on interest in an associate; and (v) increase in finance costs.

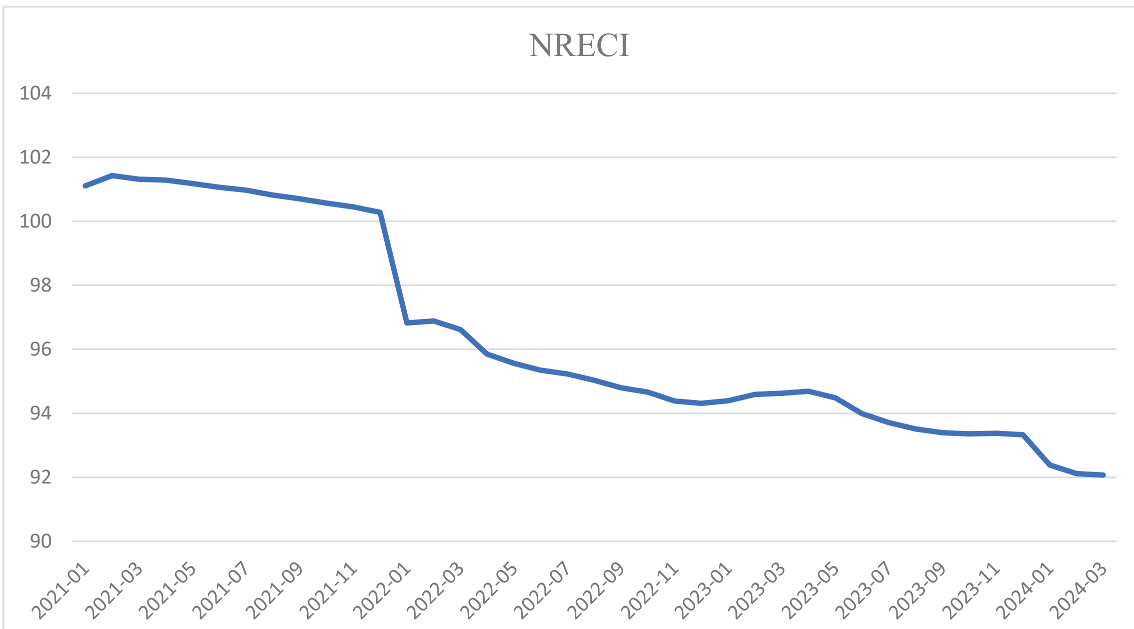
As illustrated in the above table, the Group's net current liabilities were approximately HK$527 million as at 31 December 2023 and the Group's net assets decreased by approximately 93.97% from approximately HK$963 million as at 31 December 2022 to approximately HK$58 million as at 31 December 2023.

Information on the Disposal Group

With reference to the Board Letter, the Disposal Company is an investment holding company established in the BVI with limited liability. Its principal operating subsidiaries are engaged in property development in the PRC, namely the Dongguan Project and the Nanjing Project. The Disposal Company also holds a 42.5% equity interest in Chengde Jinyu, which in turn holds a 90% equity interest in Chengde Development. Chengde Development is principally engaged in primary land development in the Luanping County, Chengde City, the PRC, namely the Luanping Project. Through its subsidiaries, Chengde Development also holds three pieces of land in the Luanping County.

Real estate industry of PRC

Set out below is a chart showing movement of the National Real Estate Climate Index ("**NRECI**") in the PRC from January 2021 to March 2024 (being the latest available month prior to the date of Disposal Agreement):



Source: Wind Financial Terminal

According to the website of National Bureau of Statistics of China (https://www.stats.gov.cn/english/PressRelease/202404/t20240424_1948701.html), NRECI is an indicator of prosperity level of the PRC real estate industry, based on business cycle theory and business cycle analysis, taking investment in real estate development as the benchmark indicator, selecting related indicators such as real estate investment, capital, area, sales, excluding the impact of seasonal factors. Historical data will be revised monthly according to the newly added data. The base year for NRECI was year 2012 and its growth rate was set at 100. Typically, the most appropriate level of NRECI is 100, the moderate level is between 95 and 105, the lower level is below 95, and the higher level is above 105.

As illustrated above, the NRECI was below 95 since September 2022 and reached 92.07 for March 2024, being a "lower level" as mentioned above.

Set out below are (a) investment in real estate; and (b) sales of commercial buildings (including residential buildings, office buildings and buildings for commercial business), in the PRC for 2021 to 2023 and the first four months of 2024 (with comparative figures) published by National Bureau of Statistics of China:

	2021	**2022**	**2023**	**First four months of 2023 ("4M2023")**	**First four months of 2024 ("4M2024")**
	Approximate RMB 'billion	*Approximate RMB 'billion*	*Approximate RMB 'billion*	*Approximate RMB 'billion*	*Approximate RMB 'billion*
Investment in real estate	14,760	13,290	11,091	3,551	3,093
– Residential buildings	*11,117*	*10,065*	*8,382*	*2,707*	*2,339*
– Office buildings	*597*	*529*	*453*	*139*	*134*
– Buildings for commercial business (Note)	*1,245*	*1,065*	*806*	*259*	*217*
Sales of commercial buildings	18,193	13,331	11,662	3,975	2,807
– Residential buildings	*16,273*	*11,675*	*10,299*	*3,602*	*2,445*
– Office buildings	*470*	*453*	*374*	*96*	*96*
– Buildings for commercial business (Note)	*969*	*813*	*662*	*185*	*176*

Note: *Buildings for commercial business include wholesale and retail premises, hotel premises, catering premises, business exhibition premises and other commercial and service premises.*

Sources:

(i) 2021 – https://www.stats.gov.cn/english/PressRelease/202201/t20220118_1826502.html
(ii) 2022 – https://www.stats.gov.cn/english/PressRelease/202301/t20230118_1892298.html
(iii) 2023 – https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947107.html
(iv) 4M2023 – https://www.stats.gov.cn/english/PressRelease/202305/t20230519_1939833.html
(v) 4M2024 – https://www.stats.gov.cn/english/PressRelease/202406/t20240603_1956334.html

As illustrated above:

(a) Investment in real estate in PRC (i) decreased by approximately 25% from approximately RMB14,760 billion in 2021 to approximately RMB11,091 billion in 2023; and (ii) decreased by approximately 13% from approximately RMB3,551 billion in 4M2023 to RMB3,093 billion in 4M2024.

(b) Sales of commercial buildings in PRC (i) decreased by approximately 36% from approximately RMB18,193 billion in 2021 to approximately RMB11,662 billion in 2023; and (ii) decreased by approximately 29% from approximately RMB3,975 billion in 4M2023 to RMB2,807 billion in 4M2024.

The "lower level" NRECI, deteriorated investment in real estate and sales of commercial buildings in the PRC as set out above indicated an overall downturn of the real estate industry of the PRC.

Dongguan Project

With reference to Board Letter, the Disposal Group is the developer of the Dongguan Project through its 100% indirect equity interest in the Dongguan Project Company. The Dongguan Project is called CITIC•Cloud Courtyard* (中證•雲庭) and is located in the Nancheng District, Dongguan City, the PRC. It is a small-scale property development project which comprises two composite buildings comprising 242 residential units and 72 commercial units with saleable GFA of approximately 23,280 sq.m. and 4,969 sq.m., respectively, and 178 car parking spaces in a two-storey carpark basement. Transferrable real estate ownership certificates have been obtained for the aforesaid units and car parking spaces, except for 68 Leasehold Car Spaces. Under the relevant laws and regulations in the PRC, the real estate ownership certificates will not be granted to the developers by the government in respect of the Leasehold Car Spaces. However, the Dongguan Project Company has the right to use these premises and the right to income generated by these premises.

With reference to Board Letter, pre-sale of the residential units of the Dongguan Project began in November 2020. The construction of the Dongguan Project was completed by July 2022 and the project was granted completion acceptance certificates subsequently. Revenue generated from sales of the units sold were recorded by the Dongguan Project Company upon delivery of the properties to buyers. In this connection, majority of which deliveries occurred during FY2022/23. Despite its prime location, the project has been facing challenges in sales due to economic turmoil resulting from the Covid-19 pandemic and unfavourable real estate market conditions in surrounding area.

With reference to 2023 Interim Report, as at 31 December 2023, (i) 218 residential units, representing approximately 90.0% of the total saleable GFA of the 242 residential units, had been sold and delivered; (ii) two residential units were contracted for sale but not yet completed; and (iii) all the commercial units and the car parking spaces (for which the Dongguan Project Company has real estate ownership certificates) remained unsold. During HY2023/24, the market conditions for residential properties in the vicinity of the Dongguan Project remained not favourable, resulting in a fierce competition among available for sale property projects in the area. With reference to the Board Letter, by mid-January 2024, one more residential unit was contracted for sale. In late-January 2024 and in March 2024, one commercial unit and a further residential unit were contracted for sale, respectively. Freezing orders were made by court over five unsold residential units (i.e. the Dongguan Frozen Properties) in the course of arbitration filed by the Dongguan Lender with the Guangzhou Arbitration Commission in relation to a loan with principal amount of RMB10 million obtained by the Dongguan Project Company from the Dongguan Lender. Currently, the Dongguan Frozen Properties are under judicial auction process. In addition, as at 31 March 2024, 13 residential units and 67 commercial units were charged to an Independent Third Party for certain loan facilities.

Upon our enquiry, the Directors advised us that, the Dongguan Project Company does not have any land reserve for further property development. Having also taken into account that (i) most of the Dongguan Project residential units were sold and delivered/contracted for sale; (ii) the overall downturn of the real estate industry of the PRC as demonstrated above; and (iii) unsatisfactory sales progress of Dongguan Project commercial units and car parking spaces (for which the Dongguan Project Company has real estate ownership certificates), the Dongguan Project Company's sales performance in near future and further development (if any) after completion of sales of all saleable units under the Dongguan Project are uncertain.

Nanjing Project

With reference to Board Letter:

(i) The Disposal Group holds 51% equity interest in the Nanjing Project Company, which is the developer of the Spring Breeze* (泉悅春風) project in the Naishan ecological scenic area of Long Pao New City, Jiangbei New Area, Nanjing City, the PRC. This project is a large-scale property development project designed to build in three phases, encompassing low-rise residential units, commercial buildings, hotel apartments/serviced apartments and other ancillary facilities. The total GFA of the project is approximately 340,000 sq.m.

(ii) In June 2020, the Nanjing Project Company commenced the pre-sale of residential units for phase one of the project. However, the construction work for phase one has been suspended since August 2022 due to insufficient funding. As at 31 March 2024, the Nanjing Project Company entered into sale and purchase agreements in respect of 42 residential units, representing approximately 15.5% of the total saleable GFA of the phase-one residential units with aggregate contracted amounts of approximately RMB150.5 million. It had also entered into property subscription agreements pursuant to which buyers had paid deposits for purchase of certain residential units at agreed prices in aggregate amount of approximately RMB93.2 million, subject to the signing of sale and purchase agreements. Despite the temporary suspension, the Nanjing Project Company is endeavoring to resume construction work for phase one as soon as possible.

(iii) The operations of the Nanjing Project Company were primarily funded by bank and other borrowings. The Nanjing Project Company has defaulted on the scheduled settlement of a bank loan in the principal amount of approximately RMB319.7 million since October 2022 (the "**Nanjing Defaulted Loan**"). The Nanjing Defaulted Loan was secured by all the properties under development for sales held by the Nanjing Project Company and the entire equity interest in the Nanjing Project Company (including the 51% held by the Disposal Group). In November 2023, the entire equity interest in the Nanjing Project Company (including the 51% held by the Disposal Group) has been frozen by the court, and in December 2023, a judgement was issued by the court ordering that, among other things, the Nanjing Project Company shall repay the Nanjing Defaulted Loan together with the interest, default charge, default interest and compound interest thereof to the bank, and the bank shall have the preferential rights to be paid off with the proceeds from the auction or sale of charged properties including the entire equity interest in the Nanjing Project Company. As at 31 December 2023, the outstanding interest and default penalty charge on the Nanjing Defaulted Loan amounted to approximately HK$89.4 million and HK$35.3 million, respectively. The Group had been engaging in negotiations with the bank on the repayment plan, however, no agreement has been reached thus far. Other financing had been sought by the Group to replace the Nanjing Defaulted Loan, but to no avail. According to a public notice dated 27 December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services), the said bank had disposed of the Nanjing Defaulted Loan as non-performing assets. As at the Latest Practicable Date, the Nanjing Project Company has not been notified by any parties of the actions (if any) that may be taken by the purchaser of the Nanjing Defaulted Loan regarding the securities pledged under the Nanjing Defaulted Loan.

(iv) No revenue has been recorded by the Nanjing Project Company since commencement of operation as the Nanjing Project is still under development. As at 31 December 2023, the Nanjing Project Company recorded unaudited net liabilities of approximately HK$464.6 million, with assets including properties under development for sales of the Nanjing Project of approximately HK$863.7 million and other assets of approximately HK$105.2 million, as well as with liabilities including bank and other borrowings in the aggregate amount of approximately HK$1,044.3 million and trade and other payables of approximately HK$389.2 million.

(v) As at the Latest Practicable Date, four pieces of land of the Nanjing Project which have already been charged to the bank under the Nanjing Defaulted Loan) are subject to a freezing order by the court (i.e. Nanjing Frozen Properties) pending the outcome of the litigation regarding dispute between, among others, the Nanjing Project Company and an independent third party.

The above status and conditions, in particular:

(a) the Nanjing Project has been suspended due to insufficient funding;

(b) the overall downturn of the real estate industry of the PRC as demonstrated above;

(c) that the Nanjing Defaulted Loan was secured by all the properties under development for sales held by the Nanjing Project Company and the entire equity interest in the Nanjing Project Company;

(d) that the bank had disposed of the Nanjing Defaulted Loan as non-performing assets; and

(e) that the Nanjing Frozen Properties are subject to a freezing order by the court (i.e. Nanjing Frozen Properties) pending the outcome of the litigation regarding dispute between, among others, the Nanjing Project Company and an independent third party,

indicated material concern on the prospects of and risks associated with the Nanjing Project Company.

Luanping Project

With reference to Board Letter:

(i) The Luanping Project is a primary land development project in the Luanping County, the PRC. Luanping County is one of the counties under the administration of Chengde City, a prefecture-level city in Hebei Province, situated northeast of Beijing. It is located at the western part of Chengde with a total area of approximately 3,195 sq. km. and is famous for tourist spots such as Jinshanling Great Wall (金山嶺長城).

(ii) Since commencement of the Luanping Project in 2016 and up to the Latest Practicable Date, Chengde Development has developed land with an aggregate area of approximately 10,779 mu (i.e. the CD Developed Land). However, to-date, not much of the CD Developed Land has been sold by the local government under government land auctions. By the end of 2018, approximately 449 mu of the CD Developed Land had been sold by the local government by auction. Subsequently in 2019, the local government suspended the operations of all property development projects in Luanping County, including the Luanping Project, to address certain ecological and environmental issues in the area and no land auctions were held for any CD Developed Land in the same year. The government had resumed some land auctions but the sale activities were severely affected and delayed due to the impact of the Covid-19 pandemic and challenges in the real estate market. In 2020, there was only 445 mu in total of CD Developed Land sold under government auctions, of which 163 mu are now held by the Chengde Jinyu Group. Since 2021, except for 6 mu of land assigned to the government as allocated land (劃撥用地) for public utilities use in 2021, no CD Developed Land was successfully sold/put on for land auction by the government. As at the Latest Practicable Date, the CD Developed Land that had been sold represents approximately 8.3% of all the CD Developed Land.

(iii) In 2022, the Luanping government has launched the EOD Project with the objective of developing the region for different facets of industries, hand in hand with ecological and environmental governance emphasis. It was noted that the tender of the EOD Project has been awarded to a consortium led by a state-owned construction enterprise in January 2024. No detailed information about the implementation plan for the EOD Project is available to the Group yet, however, based on Chengde Development's preliminary understanding, the EOD Project would involve a significant portion of land developed by Chengde Development, but would be mainly for non-residential and non-commercial use. If the land developed by Chengde Development were to be used for the EOD Project, they may be sold in future land auctions at a price significantly lower than previously estimated based on residential and commercial usage under the Luanping Project. This being the case, on the other hand, there is currently no indication of future land auctions of CD Developed Land by the Luanping government in the near term.

(iv) In 2020, Chengde Development, through two then wholly-owned subsidiaries, Luanping Huayang acquired two pieces of land (with a total site area of approximately 63,238 sq.m.) (as at 31 March 2024, a piece of land held by Luanping Huayang with a total site area of 53,293 sq. m. was charged to a bank) and Luanping Qianyang acquired another piece of land (with a site area of approximately 45,450 sq.m.) under land auction by the government (the "**Chengde Lands**"), and they were among the CD Developed Land portfolio, with the view of speeding up the return of funds from the government and seeking opportunity to selling the land to other developers and/or join forces with them to develop the land for sale. In April 2021, Chengde Development disposed of 16.53% equity interest in Luanping Qianyang to a third party. However, Chengde Development was not able to implement or in any way realise the plan of having the three pieces of land developed due to the rapid deterioration of the market conditions during and post Covid-19 pandemic. As at the Latest Practicable Date, the three pieces of land remain vacant. Upon our enquiry, the Directors advised us that there is no concrete plan on the development of the aforesaid lands.

The above status and conditions, in particular:

(a) only a small proportion of the CD Developed Land (below 10%) had been sold as at the Latest Practicable Date;

(b) the EOD Project may affect future land auction prices of the CD Developed Land;

(c) there is currently no indication of future land auctions of CD Developed Land by the Luanping government in the near term,

indicated uncertainty on the future development of the Chengde Development.

Further information on the Disposal Group is set out in the section headed "Financial information of the Disposal Group" of the Board Letter.

Set out below is the unaudited consolidated financial information of the Disposal Group for the period from 1 January 2021 to 30 June 2022, FY2022/23 and HY2023/24 as extracted from Appendix II to the Circular:

	For the 18 months ended 30 June 2022	**For the year ended 30 June 2023**	**For the six months ended 31 December 2023**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	–	697,216	36,495
Gross profit/(loss)	–	212,814	(8,353)
Loss before taxation	(156,662)	(16,639)	(932,635)
Loss after taxation	(156,662)	(182,884)	(908,542)

As at 31 December 2023, the net liabilities attributable to owners of the Disposal Company was approximately HK$189.1 million.

As illustrated in the above table:

(i) The Disposal Group recorded neither revenue nor gross profit for the 18 months ended 30 June 2022. The Disposal Group's loss before and after taxation for the 18 months ended 30 June 2022 were both approximately HK$156.7 million. With reference to the Board Letter, such loss was mainly attributable to (a) share of loss of Chengde Jinyu which was mainly due to the finance costs incurred for the Luanping Project; and (b) administrative expenses incurred for the Dongguan Project and the Nanjing Project.

(ii) The Disposal Group's revenue and gross profit for FY2022/23 were approximately HK$697.2 million and approximately HK$212.8 million respectively. With reference to the Board Letter, such revenue was mainly attributable to sales for residential units of the Dongguan Project recorded upon delivery of the properties to buyers. Despite that the Group recorded gross profit for FY2022/23, the Disposal Group's loss before taxation and after taxation for FY2022/23 were approximately HK$16.6 million and HK$182.9 million respectively. With reference to the Board Letter, such loss after taxation was mainly attributable to (a) income tax expense; (b) finance costs; and (c) impairment loss on the interest in Chengde Jinyu, as partially offset by gross profit.

(iii) The Disposal Group's revenue for HY2023/24 was approximately HK$36.5 million. However, the Group recorded gross loss of HK$8.4 million for HY2023/24. The Disposal Group's loss before taxation and after taxation were approximately HK$932.6 million and approximately HK$908.5 million respectively for HY2023/24. With reference to the Board Letter, such loss after taxation was mainly attributable to (a) impairment loss on the interest in Chengde Jinyu and impairment loss on amount due from Chengde Jinyu; (b) impairment loss on the properties under development for sales; and (c) finance cost.

With reference to Appendix II to the Circular, because of the significance of the matters described in the section headed "Basis of Disclaimer of Conclusion" therein, the Company's auditor was unable to carry out sufficient review procedures to provide a basis for a conclusion on the financial information of the Disposal Group for the period from 1 January 2021 to 30 June 2022, FY2022/23, HY2022/23 and HY2023/24. Accordingly, the Company's auditor did not express a conclusion on the financial information of the Disposal Group for the aforesaid periods (the "**Disclaimer of Conclusion**").

The Disclaimer of Conclusion further indicated the uncertainties and risks associated with the Disposal Group.

The Remaining Group's business

With reference to the Board Letter, after Completion, the Remaining Group will be principally engaged in the manufacturing and trading of healthcare and household products, the coal mining business and the money lending business. It will no longer be engaged in the property development and primary land development business following the Disposal. Nevertheless, it will continue to hold an investment in a property development project in Malaysia, which is accounted as interest in associate of the Remaining Group. The healthcare and household business will continue to be the primary revenue base of the Remaining Group. Details of the Remaining Group's business are set out in the section headed "Businesses of the Remaining Group" of the Board Letter.

Healthcare and household business

With reference to the Board Letter:

(i) The Group's healthcare and household products business is operated through the Company's wholly-owned subsidiary named Fairform Manufacturing Company Limited. Since 1996, Fairform has been engaged in manufacturing of powered oral care products and hair trimming products, specialising in the production of powered toothbrushes for both adults and kids. Over the years, the Group has continuously innovated its product with advanced features such as vibration, rotary oscillation, and sonic technology.

(ii) The Group's healthcare and household products business demonstrated strong performance prior to the Covid-19 pandemic, reaching an average revenue of approximately HK$191.7 million for the three years ended 30 June 2020. The outbreak of the Covid-19 pandemic had a significant impact on global logistics and shipment, resulting in fluctuations in revenue for the healthcare and household products business. For the year ended 30 June 2021, revenue decreased to HK$121.2 million. Subsequently, revenue increased to approximately HK$158.7 million for the year ended 30 June 2022, followed by HK$172.4 million for the year ended 30 June 2023. The increase in revenue was attributable to the significant increase in purchase orders from its key customers particularly in the latter part of year 2022, which was driven by the concerns about potential disruptions in the supply chain resulting from Covid-19 control measures in the PRC. However, as the year 2023 progressed, the customers initiated a destocking process and reduced their orders placed with the Group in order to manage the inventory level. There was also a decline in sales of disposable powered toothbrushes with non-replaceable batteries in the European market. As a result, revenue for the six months ended 31 December 2023 recorded a decline, reaching approximately HK$47.3 million. Based on the information currently available to the Company, revenue for the healthcare and household products business amounted to approximately HK$71.0 million for the nine months ended 31 March 2024.

(iii) The Group is optimistic about Fairform's future performance and for the revenue to return to pre Covid-19 levels, on the strength of its proven and product quality and the new products scheduled to be launched in the coming 12 months. The Group anticipates that sales will regain momentum in the second quarter of 2024 as the destocking effect diminishes and customers gradually replenish their inventory levels in preparation for the holiday season in the latter half of the year. Such momentum is expected to continue into the year ending 30 June 2025.

Coal mining business

With reference to the Board Letter, the Remaining Group is also engaged in the coal mining business in the Central Kalimantan Province in the Republic of Indonesia. In September 2023, the Group entered into an exclusive cooperation agreement with an independent operator which shall carry out production activities at the coal mine for a valid period of five years. The work and budget plan of the coal mining business for the years 2024 to 2026 has been approved by the Indonesian Government in December 2023. The production activities have been commenced by the operator in early May 2024, and the Group will be entitled to receive royalty fees based on the sales of coal production. Production volume will gradually ramp up and is expected to reach 500,000 tons and 600,000 tons for the years ending 30 June 2025 and 2026, respectively. Once the operations have been streamlined and running smoothly, the Group may also consider to apply to the government to uplift the approved production levels.

We noted from the website of Statista (Note: According to the website of Statista, Statista is specialized in market and consumer data, its platform consolidates statistical data on over 80,000 topics from more than 22,500 sources on 170 industries) that coal consumption in Indonesia (in exajoules) from year 2018 to 2022 (being the latest available five full years) as set out below:

	2018	**2019**	**2020**	**2021**	**2022**
Coal consumption in Indonesia (in exajoules)	2.36	2.88	2.76	2.75	4.38
Year-on-year changes (%)		*22.03*	*(4.17)*	*(0.36)*	*59.27*

Source: https://www.statista.com/statistics/612094/indonesia-coal-consumption/

As shown in the above table, the coal consumption in Indonesia substantially increased in 2019 and 2022. The coal consumption in Indonesia for 2022 was approximately 86% more that for 2018. We noted from a report titled "Coal 2023 – Analysis and forecast to 2026" published by the International Energy Agency in December 2023 (source: https://iea.blob.core.windows.net/assets/a72a7ffa-c5f2-4ed8-a2bf-eb035931d95c/Coal_2023.pdf) that due to (i) the surging demand for nickel which is set to strengthen the production of nickel pig iron in the coming years; (ii) the development in the power sector; and (iii) the rapidly growing nickel production, Indonesia's coal demand is expected to increase from 2023 to 2026.

Information on the Purchaser

The Purchaser (i.e. Mr. Lim Kim Chai) is a non-executive Director and a substantial Shareholder of the Company, and therefore a connected person of the Company.

Reasons for and benefits of the Disposal

With reference to the Board Letter:

(i) Since 2020, the Disposal Group has been facing a challenging business environment in the property development sector in the PRC. This has been primarily caused by several factors, including, among others, tightening loan regulations for property developers, weak demand in the housing market, delays in the land sale of the Luanping Project and the prolonged impact of the Covid-19 pandemic.

(ii) The Disposal Group incurred significant losses for each of the 18 months ended 30 June 2022, FY2022/23 and HY2023/24. As at 31 December 2023, the outstanding borrowings (excluding the Sale Loans) of the Disposal Group amounted to approximately HK$1,058.9 million, all of which were overdue. The Disposal Group Net Liabilities Position amounted to approximately HK$189.1 million, and the Adjusted Disposal Group Net Liabilities Position amounted to approximately HK$12.9 million.

(iii) The Directors are of the view that the outlook of the Group's property projects in the PRC remains highly uncertain. The unfavourable market conditions have made it challenging to sell the remaining residential units, commercial units and car parking spaces of the Dongguan Project within a short period of time. Meanwhile, it is not expected that the Nanjing Project would have a quick turnaround of its financial position to generate revenue from further pre-sale of the development properties. The Directors expect that the current status and substantial indebtedness of the Disposal Group are not likely to be resolved in the near term and the Disposal Group and the Chengde Jinyu Group will continue to have adverse impacts on the Group in terms of liquidity, gearing and resources allocation if the Group remains as the holding company/single largest shareholder (as the case may be) of them. Equally for the investment in Chengde Jinyu, the Directors consider that considerable long holding time would be needed for the investment to come to fruition; in face of the current difficulties of the operation of the Luanping Project.

(iv) The auditors of the Company have issued qualified opinions on the Company's consolidated financial statements for FY2022/23 in respect of, among others, (i) the Group's interest in Chengde Jinyu and the amount due from Chengde Jinyu; and (ii) the Group's properties under development for sales and prepayments for the Nanjing Project. Details are contained in the 2022/23 annual report of the Company. Upon Completion, the financial results, assets and liabilities of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. Accordingly, it is expected, and the auditors of the Company are also of the view, that the aforesaid qualified opinions can be removed upon Completion. However, there will be qualified opinion regarding the gains/losses arising from the Disposal which will be charged to profit or loss of the Group.

Having considered the above and (a) the uncertainty/concern/risks on the Dongguan Project Company, the Nanjing Project Company and Chengde Development; (b) that it is uncertain as to whether the Disposal Group (being principally engaged in property development in the PRC) may improve its business operation and development under the overall downturn of the real estate industry of the PRC as demonstrated above; and (c) the financial performance and financial positions of the Disposal Group, as illustrated under the section headed "Information on the Disposal Group" above (with the Disclaimer of Conclusion), we consider that, although the Disposal is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

II. PRINCIPAL TERMS OF THE DISPOSAL

Set out below is the principal terms of the Disposal under the Disposal Agreement, details of which are set out under the section headed "THE DISPOSAL AGREEMENT" of the Board Letter.

Date

6 May 2024

Parties

(a) GPI, a direct wholly-owned subsidiary of the Company, as seller of the Sale Shares

(b) the Company, as seller of the Sale Loans

(c) the Purchaser, as buyer of the Sale Shares and the Sale Loans

Assets to be disposed of

With reference to the Board Letter, GPI conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares free from all encumbrances as at Completion together with all rights attached thereto, including all dividends and distributions declared, made or paid on or after Completion. The Sale Shares represent the entire issued share capital of the Disposal Company as at the date of the Disposal Agreement.

The Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Loans free from all encumbrances as at Completion together with all rights, benefits and interest attached thereto. The Sale Loans are unsecured and represent the total loans and amount owed by Ruifeng to the Company amounting to approximately HK$176.2 million as at 30 June 2023 and up to the date of the Disposal Agreement, and comprising (i) shareholder's loans granted by the Company to Ruifeng in 2020 in the aggregate principal amount of approximately HK$139.1 million which was interest bearing at the rate of 7% per annum until 30 June 2023 when the Company waived all interest obligations of Ruifeng which might otherwise arise from then onwards on the principals of the Sale Loans; (ii) the interest accrued on the principal of the Sale Loans from date of grant up to 30 June 2023 in the aggregate amount of approximately HK$35.1 million; and (iii) an amount due from Ruifeng to the Company under current account of approximately HK$2.0 million which is not interest bearing. There has been no change in the aggregate sum of the Sale Loans from 30 June 2023 and up to the date of the Disposal Agreement, and it is not expected that there will be any change before Completion. Following the Disposal, the Disposal Group will be deconsolidated from the Group.

Considerations

Sale Shares Consideration

The consideration for the Sale Shares is approximately HK$53.7 million. As at the date of the Disposal Agreement, the Company owed to the Purchaser the Shareholder's Loans in the aggregate principal amount of HK$250 million, plus accrued and unpaid interest thereon (i.e. the Shareholder's Loans Accrued Interest) of approximately HK$53.7 million. At Completion, the Purchaser shall satisfy the Sale Shares Consideration by offsetting against the Shareholder's Loans Accrued Interest on a dollar for dollar basis. For the avoidance of doubt, there will be no actual transfer of money from the Purchaser to GPI at Completion in respect of the Sale Shares Consideration. The Sale Shares Consideration has been agreed between the Company and the Purchaser after arm's length negotiations.

With reference to the Board Letter, based on the unaudited management accounts of the Disposal Group, the Disposal Group recorded unaudited losses after taxation of approximately HK$156.7 million, HK$182.9 million and HK$908.5 million for the 18 months ended 30 June 2022, FY2022/23 and HY2023/24, respectively. On the financial position aspect, as at 31 December 2023, the Disposal Group was in a net liabilities position attributable to its owners amounting to approximately HK$189.1 million (i.e. the Disposal Group Net Liabilities Position). The Disposal Group Net Liabilities Position takes into account the Sale Loans owed by Ruifeng to the Company, which had been used to fund the operations of the Disposal Group. In this regard, had the Sale Loans been contributed to the Disposal Group as equity and accounted for as equity instead of liabilities for the purpose of calculating the Disposal Group Net Liabilities Position, the adjusted consolidated financial position of the Disposal Group would be in the negative of approximately HK$12.9 million (i.e. the Adjusted Disposal Group Net Liabilities Position) as at 31 December 2023. In light of the above, the Sale Shares Consideration of approximately HK$53.7 million exceeds the Adjusted Disposal Group Net Liabilities Position by absolute value of approximately HK$66.6 million.

The Company has engaged the Valuer to conduct a valuation on the equity value of the Disposal Company (i.e. the Sale Shares) as at 31 March 2024. It is noted that the Valuer has appraised that the Sale Shares were of no commercial value as at 31 March 2024 as the equity value attributable to owners of the Disposal Company was a negative amount (i.e. approximately HK$202.7 million) (the "**Negative EV Attributable to Owners of the Disposal Company**"). Further information on the Sale Shares Valuation (including the valuation approaches and methods, and key inputs and assumptions) is set out in the section headed "Valuation of the Disposal Company" of the Board Letter.

We noticed that when the Valuer assessed the market value of properties under development for sales in relation to the Nanjing Project, properties held for sales in relation to the Dongguan Project and the Chengde Lands (being part of the components of the Sale Shares Valuation), the Valuer made no allowance for any encumbrances, such as mortgage, debenture or other charges, and did not consider the freezing orders over the Dongguan Frozen Properties and the Nanjing Frozen Properties. Further to our discussion with the Valuer, we noticed that according to paragraph 5.3.15 of HKIS Valuation Standards 2020 Edition: "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." As confirmed by the Valuer, "any encumbrances" as referred to therein shall include the mortgages over the relevant property interests, the Dongguan Frozen Properties and the freezing orders over the Nanjing Frozen Properties. Accordingly, we consider the above approach of the Valuer to be justifiable. After discussion with the Directors, we understood that (i) making allowance and considering the freezing orders as aforesaid may adversely affect value of relevant properties; and (ii) not making allowance and not considering the freezing orders as aforesaid would not cause relevant properties to be undervalued. Having considered the above, the making of allowance on the freezing orders will not affect the conclusion that the Sale Shares were of no commercial value, and possible downward adjustment on property value will only increase the difference between the Sale Shares Consideration and the Adjusted Disposal Group Net Liabilities Position. As such, we consider the above approach would not affect our assessment on the Sale Shares Consideration as it will not be detrimental to the Company, which is a seller of the Sale Shares.

Sale Loans Consideration

The consideration for the Sale Loans is at a nominal value of HK$1 and shall be payable by the Purchaser to the Company in cash at Completion. The Sale Loans Consideration was determined after arm's length negotiations between the Company and the Purchaser.

With reference to the Board Letter, in light of the Adjusted Disposal Group Net Liabilities Position of the Disposal Group was in deficit in the magnitude of approximately HK$12.9 million as at 31 December 2023, and the significant accumulated losses recorded by the Disposal Group up to 31 December 2023 as referred to above, the Company and the Purchaser are of the view that the recovery of the Sale Loans by the Company in the near future is remote. In essence, the Sale Loans had been provided by the Company to the Disposal Group as its ultimate shareholder to fund its operations. The Company and the Purchaser have regarded the Sale Loans a form of quasi capital in nature, which have been taken into account by the parties in arriving at the Sale Shares Consideration. Under the circumstances, the Company and the Purchaser have agreed the Sale Loans Consideration to be at a nominal value of HK$1.

Valuation

To assess the fairness and the reasonableness of the Sale Shares Consideration and the Sale Loans Consideration, we obtained the Sale Shares Valuation Report prepared by the Valuer.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Sale Shares Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Sale Shares Valuation Report. The Valuer also confirmed that they are independent to the Group and the Purchaser.

We also reviewed the Sale Shares Valuation Report and enquired with the Valuer on the methodology, bases and assumptions adopted in order for us to understand the Sale Shares Valuation Report. With reference to the Sale Shares Valuation Report:

(a) There are three generally accepted valuation approaches, namely the market, cost and income approaches. To select the most appropriate approach, the Valuer has considered the relative advantages and disadvantages of each approach having regard to the nature and circumstances of the Disposal Company. For the purpose of the Sale Shares Valuation, the Valuer considers that (i) the income approach is inappropriate as this approach requires detailed operational information and long-term financial projections of the Disposal Company but such operational and financial forecasts with concrete business plan are not available; and (ii) the market approach is inappropriate as there are insufficient relevant comparable transactions to form a reliable basis for the valuation. The Disposal Company is the holding company of a number of subsidiaries which possess material assets and liabilities relating and incidental to their respective businesses. The Valuer has therefore adopted summation method under the cost approach in forming an opinion on the equity value of the Disposal Company.

(b) The summation method under the cost approach involves the appraisal of the market values of all the assets of the Disposal Group and subtract the aggregate liabilities from the aggregate market value of the assets. To this end, the assets and liabilities of the Disposal Group are generally categorised in seven valuation components including (i) properties under development for sales; (ii) properties held for sales; (iii) trade and other receivables; (iv) other assets; (v) interest in Chengde Jinyu; (vi) amount due from Chengde Jinyu; and (vii) other liabilities (the "**Valuation Components**").

We concur with the Valuer that summation method under the cost approach is appropriate for the Sale Shares Valuation Report after considering the following factors:

(i) Given the uncertainty of the Disposal Group as demonstrated under the section headed "Information on the Disposal Group" above, it is impracticable to form a reliable long-term financial projections of the Disposal Group. Accordingly, the income approach is inappropriate for the Sale Shares Valuation Report.

(ii) According to the Valuer, there are insufficient relevant comparable transactions to form a reliable basis for the valuation. Accordingly, the market approach is inappropriate for the Sale Shares Valuation Report.

(iii) The Disposal Company is the holding company of a number of subsidiaries which possess material assets and liabilities relating and incidental to their respective businesses.

(iv) The summation method under the cost approach involves the appraisal of the market values of all the assets of the Disposal Group and subtract the aggregate liabilities from the aggregate market value of the assets. Each of the Valuation Components was assessed by appropriate valuation approach during the application of summation method under the cost approach.

(v) We noted from circulars which contained business valuation reports published by Hong Kong listed companies that summation method under the cost approach was one of the commonly adopted valuation methodologies.

The valuation approach adopted by the Valuer in arriving at their valuation of the market values of the Valuation Components are summarised below (details of which are set out in Appendices IVA, IVB & IVD to the Circular):

(i) Properties under development for sales

These refer to the property interests held by the Nanjing Project Company. The property will be developed into a low-rise comprehensive development, which consists of residential, commercial and hotel apartment/serviced apartment developments. The Valuer valued the above properties using market approach. Having considered the factors including the Nanjing Defaulted Loan and the disposal of the bank loan as non-performing assets by the bank, the Valuer assessed the value for sale under repossession regarding the property interests.

For our due diligence purpose, we obtained and discussed further information of the comparables adopted (details of which are set out under Appendix IVD to the Circular) and the basis of assessing value for sale under repossession regarding the property interests with the Valuer.

With reference to Appendix IVD to the Circular, the Valuer gathered the comparables on 11 April 2024 ("**Date of Research**") starting from the listings in the most recent month from the Date of Research and extending monthly until sufficient comparables (at least 3) were obtained. The comparables selected were based on the following criteria: (a) located at similar location with the subject properties; (b) similar usage with the subject properties; and (c) listed and available for sale as at valuation date. Having taken into account the selection basis, criteria and details of the comparables adopted, we consider that the comparables adopted could provide proper reference within a reasonable timeframe for valuation.

With reference to Appendix IVD to the Circular, 南京市住房保障和房產局 (Nanjing Housing Security and Property Bureau*) (the "**Nanjing Housing Bureau**") is the government authority with oversight over land and property transactions in Nanjing City. The Valuer exhausted its efforts in identifying/searching for historical transaction records for properties of similar type to the subject properties in Nanjing City by making in-person enquiry with the Nanjing Housing Bureau and reviewing its website (https://fcj.nanjing.gov.cn/), and noted that no such information is available to the public. Besides, according to the Valuer's property valuation experience in various cities in the PRC, no historical property transaction records (except land transactions) are available to the public. As such, the Valuer identified and analysed listing prices (which are available to the public) of comparables properties that have similar characteristics as the subject properties, and adopted such listing prices in valuation. We also searched under the Nanjing Housing Bureau's website (https://fcj.nanjing.gov.cn/) and did not identify historical property transaction records.

With reference to Appendix IVD to the Circular, the comparables demonstrated listing prices instead of transacted prices. Listing prices are typically subject to further negotiation and do not necessarily represent actual transaction prices. In the absence of publicly available historical property transaction records as mentioned above, we are unable to quantify the differences between listing prices and actual transacted prices of historical second-hand property transactions. Nevertheless, the Valuer made enquiries with local real estate brokers and was given to understand that listing prices of the second-hand comparable properties are negotiable to a small degree, say about 5%. Based on the above and the Valuer's understanding of the prevailing market condition, discount to listing price of 5% has been applied to the listing prices of second-hand comparable properties. No discount to listing price has been made to the listing prices of new developments/first-hand comparable properties as there are typically not much room for negotiation for such properties. After our discussion with the Valuer to further understand the above rationale (in particular, it is also our understanding that there are typically not much room for negotiation for listing prices of new developments/first-hand properties and listing prices of second-hand properties are negotiable) and discount to listing price adopted, we consider the same to be justifiable.

We also noticed (i) that according to paragraph 30.3 of HKIS Valuation Standards 2020 Edition: "If few recent transactions have occurred, the valuer may consider the prices of identical or similar assets that are listed or offered for sale, provided the relevance of this information is clearly established, critically analysed and documented."; and (ii) that there are circulars which contained property valuation reports published by Hong Kong listed companies that adopted listing prices of comparables in property valuation. Given the above and that necessary adjustment (i.e. the discount to listing price) was adopted by the Valuer, we consider the adoption of listing prices of comparables to be justifiable.

The Valuer made adjustments on the unit rates of relevant comparables before deciding on relevant adopted unit rate. With reference to Appendix IVD to the Circular, such adjustments reflected the differences in various aspects between the comparables and the subject property. Based on the information provided by the Valuer, adjustment factors include time, location, size, decoration and discount to listing price (applied to the listing price of second-hand comparable property). We noted from circulars which contained property valuation reports published by Hong Kong listed companies that the aforesaid adjustment mechanism and adjustment factors were commonly adopted in property valuation. Having also taken into account the nature of the adjustment factors, we consider such adjustments to be justifiable.

The value for sale under repossession was assessed with reference to the percentage difference between actual judicial transaction price of foreclosed property and market value assessed by qualified valuer appointed by the relevant judiciary. We noticed that the Valuer adopted six comparable transactions (including both residential and commercial) from July 2023 to January 2024 and their actual judicial transaction prices represented discounts from 15% to 44% to the respective market value assessed by qualified valuer appointed by the relevant judiciary, with mean of approximately 31.8% and median of approximately 30%. Accordingly, we consider the discount of 30% adopted by the Valuer in assessing the value for sale under repossession regarding the property interests to be justifiable.

We noted that the Valuer made no allowance for any encumbrances, such as mortgage, debenture or other charges, and did not consider the freezing orders over the Nanjing Frozen Properties. Further to our discussion with the Valuer, we noticed that according to paragraph 5.3.15 of HKIS Valuation Standards 2020 Edition: "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." As confirmed by the Valuer, "any encumbrances" as referred to therein shall include the mortgages over the relevant property interests and the freezing orders over the Nanjing Frozen Properties. Accordingly, we consider the above approach of the Valuer to be justifiable.

(ii) Properties held for sales

These refer to the unsold property interests together with one residential unit and one commercial unit contracted for sale as at 31 March 2024 but not yet completed held by the Dongguan Project Company. The Valuer assessed the market value of the properties held for sales as at 31 March 2024 after considering (i) the market value of the unsold property interests (excluding the Leasehold Car Spaces); (ii) the investment value of the Leasehold Car Spaces; (iii) the market value of the one residential unit and one commercial unit contracted for sale as at the 31 March 2024 based on actual selling price; and (iv) relevant tax applicable to sales of properties and selling expenses.

For our due diligence purpose, we obtained and discussed further information of the comparables adopted (details of which are set out under Appendix IVD to the Circular) with the Valuer.

With reference to Appendix IVD to the Circular, the Valuer gathered the comparables on 11 April 2024 (i.e. Date of Research) starting from the listings in the most recent month from the Date of Research and extending monthly until sufficient comparables (at least 3) were obtained. The comparables selected were based on the following criteria: (a) located at similar location with the subject properties; (b) similar usage with the subject properties; and (c) listed and available for sale/rent as at valuation date. Having taken into account the selection basis, criteria and details of the comparables adopted, we consider that the comparables adopted could provide proper reference within a reasonable timeframe for valuation.

With reference to Appendix IVD to the Circular, 東莞市住房和城鄉建設局 (Dongguan Municipal Housing and Urban-Rural Development Bureau*) (the "**Dongguan Housing Bureau**") is the government authority with oversight over land and property transactions in Dongguan City. The Valuer exhausted its efforts in identifying/searching for historical transaction records for properties of similar type to the subject properties in Dongguan City by making in-person enquiry with the Dongguan Housing Bureau and reviewing its website (https://zjj.dg.gov.cn/), and noted that no such information is available to the public. Besides, according to the Valuer's property valuation experience in various cities in the PRC, no historical property transaction records (except land transactions) are available to the public. As such, the Valuer identified and analysed listing prices (which are available to the public) of comparables properties that have similar characteristics as the subject properties, and adopted such listing prices in valuation. We also searched under the Dongguan Housing Bureau's website (https://zjj.dg.gov.cn/) and did not identify historical property transaction records.

With reference to Appendix IVD to the Circular, the comparables demonstrated listing prices instead of transacted prices, discount to listing price of 5% has been applied to the listing prices of second-hand comparable properties and no discount to listing price has been made to the listing prices of new developments/first-hand comparable properties. In the absence of publicly available historical property transaction records as mentioned above, we are unable to quantify the differences between listing prices and actual transacted prices of historical second-hand property transactions. Nevertheless, having considered the factors set out under the sub-section headed "*(i) Properties under development for sales*" above, we consider the adoption of listing prices of comparables and discount to listing price (if necessary) to be justifiable.

The Valuer made adjustments on the unit rates/rents of relevant comparables before deciding on relevant adopted unit rate/rent. With reference to Appendix IVD to the Circular, such adjustments reflected the differences in various aspects between the comparables and the subject property. Based on the information provided by the Valuer, adjustment factors include time, location, size and discount to listing price (applied to the listing price of second-hand comparable property). We noted from circulars which contained property valuation reports published by Hong Kong listed companies that the aforesaid adjustment mechanism and adjustment factors were commonly adopted in property valuation. Having also taken into account the nature of the adjustment factors, we consider such adjustments to be justifiable.

For the investment value of Leasehold Car Spaces, the Valuer adopted income approach due to its non-transferable nature but entitle to occupy and lease nature. The adopted yield equals to adopted monthly unit rent with reference to comparables multiplied by 12 and divided by the market value of each car parking space (with real estate ownership certificate). We understand that the aforesaid approach is a common market practice to assess yield of lease properties. After reviewing details in deriving the investment value of Leasehold Car Spaces (including details of comparables and calculation), we consider the aforesaid approach and adopted yield to be fair and reasonable.

In addition, we also obtained copies of signed contracts which stated the actual selling prices of the one residential unit and one commercial unit contracted for sale as at the 31 March 2024 as aforementioned.

We noted that the Valuer made no allowance for any encumbrances, such as mortgage, debenture or other charges, and did not consider the freezing orders over the Dongguan Frozen Properties. Further to our discussion with the Valuer, we noticed that according to paragraph 5.3.15 of HKIS Valuation Standards 2020 Edition: "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." As confirmed by the Valuer, "any encumbrances" as referred to therein shall include the mortgages over the relevant property interests and the freezing orders over the Dongguan Frozen Properties. Accordingly, we consider the above approach of the Valuer to be justifiable.

(iii) Trade and other receivables

These refer to deposits, prepayments and other receivables of the Disposal Group. As they are mainly composed of (i) the prepayments by the Nanjing Project Company for construction work which shall be capitalized to properties under development upon completion; and (ii) the other receivables by the Nanjing Project Company which shall be offset against the other payables on its book, we concur with the Valuer's view that no expected credit loss is needed and the market value approximated the book value as at 31 March 2024.

(iv) Other assets

These items consist principally of cash and bank balances and a small amount of other assets. In view of the nature of these assets, we concur with the Valuer's view that the market value approximated their book values as at 31 March 2024.

(v) Interest in Chengde Jinyu

This refers to the 42.5% indirect equity interest held by Ruifeng in Chengde Jinyu. With reference to the Chengde Jinyu Valuation Report, the 100% equity interest in Chengde Jinyu was of no commercial value as at 31 March 2024. Therefore, the 42.5% equity interest in Chengde Jinyu was also of no commercial value as at 31 March 2024.

For our due diligence purpose, we discussed the Chengde Jinyu Valuation Report as set out in Appendix IVB to the Circular with the Valuer.

Under the Chengde Jinyu Valuation Report, income approach is inappropriate as this approach requires detailed operational information and long-term financial projections of Chengde Jinyu and Chengde Development (a company owned as to 90% by Chengde Jinyu) under the EOD Project but such information is not available. The market approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for valuation. The Valuer adopted the summation method under cost approach. Under the summation method, each asset and liability of Chengde Jinyu and Chengde Development was valued using the appropriate valuation approach, and the Valuer's opinion of value was derived by adding the component assets and deducting the component liabilities.

We concur with the Valuer that summation method under the cost approach is appropriate for the Chengde Jinyu Valuation Report after considering the following factors:

(i) Given the uncertainty of the Chengde Development as demonstrated under the section headed "Information on the Disposal Group" above, it is impracticable to form a reliable long-term financial projections of Chengde Development and/or Chengde Jinyu (being its holding company). Accordingly, the income approach is inappropriate for the Chengde Jinyu Valuation Report.

(ii) According to the Valuer, there are insufficient relevant comparable transactions to form a reliable basis for the valuation. Accordingly, the market approach is inappropriate for the Chengde Jinyu Valuation Report.

(iii) As confirmed by the Directors, (a) Chengde Jinyu does not have material business operation other than holding equity interest in Chengde Development; and (b) Chengde Development has minimal business operations since 2021 and its major assets such as contract costs, trade receivables and inventories (after deducting liabilities) are considered as representative of its equity value.

(iv) The summation method under the cost approach took into account asset and liability of Chengde Jinyu and Chengde Development and valued them using appropriate valuation approach.

(v) We noted from circulars which contained business valuation reports published by Hong Kong listed companies that summation method under the cost approach was one of the commonly adopted valuation methodologies.

As set out in the Chengde Jinyu Valuation Report, the valuation approach in respect of the valuation components of Chengde Jinyu are as follows:

(1)	*Long-term equity investment*	This refers to the holding of 90% equity interest in Chengde Development by Chengde Jinyu. The market value of the equity interest in Chengde Development is estimated by summation method under cost approach.
(2)	*Other receivables*	The market value was assessed considering the underlying credit risk and time value of money. The details and parameters adopted are set out in the Chengde Jinyu Valuation Report.

We discussed and assessed the reasonableness and basis of the major parameters adopted, being the expected loss rate and discount rate, with the Valuer and do not doubt the application of such parameters.

(3) *Cash and bank balances*

In view of the nature of this item, we concur with the Valuer's opinion that its market value approximated its book value as at the valuation date.

(4) *Amount due to related company*

In view of the nature of this item, we concur with the Valuer's opinion that its market value approximated its book value as at the valuation date.

As set out in the Chengde Jinyu Valuation Report, the valuation approach in respect of the valuation components of Chengde Development are as follows:

(1) *Trade receivables and other receivables*

The market values were assessed by the Valuer considering the underlying credit risk and time value of money. The details and parameters adopted are set out in the Chengde Jinyu Valuation Report.

We discussed and assessed the reasonableness and basis of the major parameters adopted, being the expected loss rate and discount rate, with the Valuer and do not doubt the application of such parameters.

Having considered that (i) the financial information of the individuals/business entities was not available for credit analysis; and (ii) the management of Chengde Development did not expect a significant credit risk, we concur with the Valuer to take a generic expected loss rate regarding all rated issuers.

As the receivables are classified as current assets with cash realization period of within 1 year, we concur with the Valuer to adopt the PRC generic 1-year government bond yield as discount rate.

(2) Contract costs

This refers to the compensation for land and associated properties and land development fee incurred by Chengde Development up to 31 March 2024. The property interests held by Luanping Huawei (i.e. 35 residential units and a commercial podium) are also accounted for in the contract costs. The market values of the contract costs were assessed by the Valuer based on the after-tax cost-plus return after considering the business risk and time value of money. The details and parameters adopted are set out in the Chengde Jinyu Valuation Report.

We discussed and assessed the reasonableness and basis of the major parameters adopted, being the contract costs by nature, tax rate, number of discount years and discount rate (which was formed by WACC), with the Valuer and do not doubt the application of such parameters.

We noted that the Valuer adopted size premium of 4.70% in determination of WACC with reference to size premium of similar size companies according to data study by Kroll, LLC. According to Kroll, LLC's website, Kroll, LLC was founded in 1932 and provides valuation, compliance and regulation, corporate finance and restructuring, cyber risk, environmental, social and governance, investigations and disputes, and business services. Kroll Inc. serves clients in 140 countries across six continents. We noted from circulars which contained business valuation reports published by Hong Kong listed companies that size premiums according to data study by Kroll, LLC. were commonly adopted in business valuation.

According to the Chengde Jinyu Valuation Report, size premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The size premium cannot be captured by the betas and debt-to-equity ratios of the comparable companies. The Valuer made reference to the CRSP decile size study sourced from Kroll, LLC, that analyzes the relationship between size premium and company size of 10 portfolios of companies based on market capitalization listed on the New York Stock Exchange, NYSE American and Nasdaq Stock Market. The results of the aforesaid data study illustrated that Chengde Development was classified as a company in decile 10 (i.e. the smallest), implying a size premium of 4.70% based on the CRSP decile size study.

Given the above, we do not doubt the aforesaid size premium.

(3) Prepayments

The prepayments represented the amounts paid to construction companies for work that has been completed, and they shall be offset against the corresponding trade payables on the book. Therefore, the book value of the prepayments was taken as the market value by the Valuer.

(4) Inventories

These refer to market value of the Chengde Lands attributable to Chengde Development, the valuations of which are set out in Appendix IVD to the Circular.

The Valuer valued the above Chengde Lands using market approach. For our due diligence purpose, we obtained and discussed further information of the comparables adopted (details of which are set out under Appendix IVD to the Circular) with the Valuer. The comparables selected were based on the following criteria: (a) located at similar location to the subject properties; (b) similar usage with the subject properties; (c) site area not less than 7,500 sq. m. for residential and site area not less than 10,000 sq. m. for commercial (to make it comparable to the size of the subject properties); and (d) transaction date from March 2022 to March 2024 (for residential land) and from July 2022 to March 2024 (for commercial land) (to include sufficient number of comparables).

Having taken into account the selection criteria and details of the comparables adopted, we consider that the comparables adopted could provide proper reference within a reasonable timeframe for valuation.

The Valuer made adjustments on the unit rates and tenure of relevant comparables before deciding on relevant adopted unit rate and deriving value of subject properties. With reference to Appendix IVD to the Circular, such adjustments reflected the differences in various aspects between the comparables and the subject property. Based on the information provided by the Valuer, adjustment factors include time, location size and tenure. We noted from circulars which contained property valuation reports published by Hong Kong listed companies that the aforesaid adjustment mechanism and adjustment factors were commonly adopted in property valuation. Having also taken into account the nature of the adjustment factors, we consider such adjustments to be justifiable.

We noted that the Valuer made no allowance for any encumbrances, such as mortgage, debenture or other charges. Further to our discussion with the Valuer, we noticed that according to paragraph 5.3.15 of HKIS Valuation Standards 2020 Edition: "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." As confirmed by the Valuer, "any encumbrances" as referred to therein shall include the mortgages over the relevant property interests. Accordingly, we consider the above approach of the Valuer to be justifiable.

(5) Other assets

The other assets include property, plant and equipment (which are office equipment, furniture and fixture) and cash and bank balances. In view of the nature of these assets, we concur with the Valuer's opinion that their market values approximated their book values as at 31 March 2024.

(6) All liabilities

The liabilities are comprised of trade and other payables, borrowings, amounts due to related companies and current tax liabilities. In view of the nature of these liabilities, we concur with the Valuer's conclusion that their market values approximated their book values as at 31 March 2024.

(vi) Amounts due from Chengde Jinyu

These refer to the amounts due from the Chengde Jinyu Group and an expected credit loss assessment has been conducted to determine its recoverable amount. The expected recoverable amount was estimated by multiplying the total current assets held by the Chengde Jinyu Group by the ratio of the amounts due from the Chengde Jinyu Group to the total current liabilities of the Chengde Jinyu Group as at 31 March 2024. As (i) current assets could be generally perceived as assets that can be converted to cash within one year; and (ii) the amounts due from the Chengde Jinyu Group were accounted for Chengde Jinyu Group's current liabilities, it is reasonable to adopt total current assets held by the Chengde Jinyu Group and the aforesaid ratio in determining expected recoverable amount of the amounts due from the Chengde Jinyu Group.

(vii) Other liabilities

These items include borrowings, amounts due to holding company (i.e. the Sale Loans), trade and other payables, contract liabilities, current tax liabilities and other liabilities. In view of the natures of these items, we concur with the Valuer's view that their market values approximated their book values as at 31 March 2024.

During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the reasonableness of the methodology, principal bases, assumptions and parameters used in the Sales Share Valuation Report.

Having considered our work performed on the Sale Shares Valuation Report as set out above and that (i) the Sale Shares Consideration of approximately HK$53.7 million exceeds the Adjusted Disposal Group Net Liabilities Position as at 31 December 2023 (having taken into account of the Sales Loan of approximately HK$176.2 million as at 31 December 2023) by absolute value of approximately HK$66.6 million; (ii) the Negative EV Attributable to Owners of the Disposal Company as at 31 March 2024 was greater than the Disposal Group Net Liabilities Position as at 31 December 2023 while the value of Sales Loan of approximately HK$176.2 million remained unchanged as at 31 March 2024; and (iii) the Sale Loans Consideration is at a nominal value of HK$1, we are of the view that the Sale Shares Consideration and the Sale Loans Consideration are fair and reasonable.

Extension of the Shareholder's Loans

With reference to the Board Letter, as at the date of the Disposal Agreement, the Company owed to the Purchaser Shareholder's Loan A in the principal amount of HK$20 million and Shareholder's Loan B in the principal amount of HK$230 million, both of which are unsecured. The repayment date of the principals and accrued interests of each of the Shareholder's Loans has been extended with the present due date falling on 31 December 2024, respectively. As at the date of the Disposal Agreement, the Shareholder's Loans Accrued Interest amounted to approximately HK$53.7 million. Subject to and upon Completion, the Purchaser will enter into a loan extension letter with the Company to extend the repayment dates of the principal of each of the Shareholder's Loans from 31 December 2024 to 31 December 2027, and all interest to be accrued on the Shareholder's Loans from 7 May 2024, being the date immediately after the date of the Disposal Agreement, up to and including 31 December 2027 will be payable by the Company by a bullet payment on the same repayment date as the principal.

We consider that the above extension provision may ease the Group's financial pressure and allow the Group to reserve financial resources (if any) for its business development.

Completion

With reference to the Board Letter, Completion will take place on the third Business Day after fulfilment or waiver (as the case may be) of all of the conditions precedent to the Disposal Agreement, or such other date as the parties to the Disposal Agreement may agree in writing.

Taking into account the above principal terms of the Disposal, we consider that the terms of the Disposal are fair and reasonable.

III. POSSIBLE FINANCIAL EFFECTS

With reference to the Board Letter, upon Completion, the Company will cease to have any interests in the Disposal Company, and the Disposal Company will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group.

With reference to 2023 Interim Report, as at 31 December 2023, (i) the unaudited consolidated total assets of the Group were approximately HK$2,188.2 million; (ii) the unaudited consolidated total liabilities of the Group were approximately HK$2,130.1 million; (iii) the unaudited consolidated net current liabilities of the Group were approximately HK$526.8 million; and (iv) the unaudited equity attributable to owners of the Company was approximately HK$309.5 million. With reference to the 2022/23 Annual Report, the profit attributable to owners of the Company for FY2022/23 was approximately HK$69.1 million.

With reference to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular:

(A) (i) the unaudited consolidated total assets of the Remaining Group would be approximately HK$774.8 million; (ii) the unaudited consolidated total liabilities of the Remaining Group would be approximately HK$403.4 million; (iii) the unaudited consolidated net current assets of the Remaining Group would be approximately HK$33.4 million; and (iv) the unaudited equity attributable to owners of the Company would be approximately HK$371.4 million, as if the Disposal had been completed on 31 December 2023.

(B) The unaudited loss attributable to owners of the Company would be approximately HK$604.8 million for FY2022/23 as if the Disposal had been completed on 1 July 2022.

(C) Assuming the Disposal has been completed on 31 December 2023, the gain on disposal recognised by the Remaining Group would have been approximately HK$7.8 million.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group and is 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 to be proposed at the SGM to approve the Disposal and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: *Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.*

* *for identification purposes only*

1. FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 December 2020, the eighteen months ended 30 June 2022, the year ended 30 June 2023, and the six months ended 31 December 2023 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (http://www.hekxnews.hk) and the Company (http://www.zhongzheng.com.hk):

- Annual report of the Company for the year ended 31 December 2020 published on 26 April 2021 (pages 40 to 126):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600402.pdf

- Annual report of the Company for the eighteen months ended 30 June 2022 published on 31 May 2023 (pages 52 to 136):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0531/2023053101216.pdf

- Annual report of the Company for the year ended 30 June 2023 published on 29 November 2023 (pages 54 to 138):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1129/2023112900353.pdf

- Interim report of the Company for the six months ended 31 December 2023 published on 27 March 2024 (pages 2 to 22):
  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0327/2024032700538.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group comprised the following liabilities:

	HKD'000
Secured and guaranteed:	
Other borrowings	9,711
Bank borrowings	371,848
	381,559
Unsecured and unguaranteed:	
Other borrowings	681,997
Shareholders loans	282,600
Lease liabilities	1,401
	965,998
Total	1,347,557

The secured and guaranteed bank borrowings represent loans which are secured by (i) individual and corporate guarantees of the related parties of certain subsidiaries; (ii) corporate guarantee of a subsidiary of the Company; (iii) 51% shareholding of a subsidiary; and (iv) certain land use rights. The loans are arranged at floating rate ranging from 4.65% to 5.4% and fixed interest rate at 7.7%. The secured and guaranteed other borrowings represent loans which are secured by certain completed properties at a fixed rate of 16% per annum and were due for repayment. The unsecured and unguaranteed other borrowings represent loans which are interest bearing at a range from 4.75% to 18% per annum and were due for repayment. The unsecured and unguaranteed shareholders loans of HK$282.6 million being (i) a loan with principal amount of HK$32.6 million from Mr. Low with interest bearing at 2.2% per annum and repayable at 31 December 2024; and (ii) the Shareholder's Loans in the aggregate principal amount of HK$250 million.

In addition, as at the close of business on 31 May 2024, the Group had contingent liabilities in relation to a legal proceeding initiated against the Nanjing Project Company, details of which are set out in paragraph (a) in the section headed "6. Material Litigation" in Appendix V to this circular. The maximum contingent liability of the legal proceeding is estimated to be RMB20 million.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Directors were not aware of the Group having any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that after taking into account the effect of the Disposal and the financial resources available to the Group, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular.

The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 31 December 2023 ("**HY2023/2024**"), the loss of the Group attributable to the Shareholders increased from approximately HK$34.7 million for HY2022/2023 to approximately HK$694.2 million for HY2023/2024, which was mainly attributable to the following:

- the decline in revenue from (i) the property development, since the majority of the residential units of the Dongguan Project had been delivered in July 2022; and (ii) the healthcare and household products businesses, since customers commenced a destocking process during the period;

- an impairment loss on interest in and amount due from Chengde Jinyu, due to the recoverable amount determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure and investment returns stipulated under the cooperation agreements entered into with the Luanping government in respect of the Luanping Project was significantly lower than its carrying amount;

- an impairment loss on properties under development for sales of the Nanjing Project, due to the potential for all or part of the pledged securities given by, among others, the Nanjing Project Company (including certain properties under development for sales) pursuant to the bank loan for the Nanjing Project would be put up for sale by the creditor who had obtained the rights to the bank loan from the bank, the assessed net realizable value of the properties under development as value for sale under repossession was lower than its carrying amount; and

- the increase in finance costs mainly attributable to the recognition of penalty interests and default charges relating to the overdue bank loan for the Nanjing Project;

Save as disclosed above, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 30 June 2023 (being the date to which the latest published audited financial statements of the Group were made up) during the period up to and including the Latest Practicable Date.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below are the management discussion and analysis of the financial performance of the Remaining Group for the financial year ended 31 December 2020, the eighteen months ended 30 June 2022, the financial year ended 30 June 2023, and the six months ended 12 December 2023 as derived from the consolidated financial statements of the Company for the corresponding year/period.

For the year ended 31 December 2020

Business review

During the year ended 31 December 2020 ("**FY2020**"), the Remaining Group has been focusing on the manufacture and sale of healthcare and household products, money lending business and coal mining business. The revenue amounted to HK$154.7 million, which represented a decrease of approximately 22.2% as compared to HK$198.8 million in 2019 ("**FY2019**"). The consolidated loss of the Remaining Group amounted to approximately HK$73.7 million.

Healthcare and household products business

The revenue of the healthcare and household products business in FY2020 decreased by approximately HK$36.5 million or by 19.6% to approximately HK$149.8 million as compared to approximately HK$186.3 million in FY2019. Such decrease in revenue was mainly attributable to the drop in sales to the PRC for approximately HK$26.3 million, which was mainly due to stiff competition in the electric toothbrushes market and the impact of the Covid-19 pandemic. Sales to the United States increased by approximately HK$4.7 million, which was attributed to the introduction of certain new products in addition to the organic growth. Sales to Hong Kong and other countries decreased by approximately HK$1.2 million, which was mainly due to the impact of the Covid-19 pandemic. Sales to Europe also decreased, with a drop in sales to France and Germany of approximately HK$2.0 million and approximately HK$5.2 million respectively.

Gross profit margin decreased from approximately 33.8% in FY2019 to approximately 26.6% in 2020 mainly due to decrease in revenue resulting in a higher per-item fixed production costs since fixed production costs had no significant change over the year. Gross profit decreased by approximately HK$23.1 million to approximately HK$39.9 million in FY2020 as compared to approximately HK$63.0 million in FY2019. The decrease in gross profit was attributable to the abovementioned decrease in revenue. Overall, the Remaining Group's manufacturing business recorded a segmental profit of approximately HK$1.9 million in FY2020 as compared to profit of approximately HK$20.9 million in FY2019.

Money Lending Business

For money lending business, the segmental revenue in FY2020 was approximately HK$4.9 million. Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during the year under review. Total loans receivables as at 31 December 2020 were approximately HK$69.6 million after reviewing the risk of default of individual borrowers and making an impairment allowances of approximately HK$3.2 million.

Coal Mining Business

PT Bara Utama Persada Raya (a 99.98%-owned subsidiary of the Company) ("**PT Bara**"), holds a mining license (the "**Mining License**") of a coal mine ("**PT Bara Mine**") in the Central Kalimantan Province in the Republic of Indonesia. The Remaining Group's coal mining business segment did not have any production at the PT Bara Mine and therefore no revenue was recognised in FY2020. Due to the Covid-19 epidemic, it has been more difficult to reach out to the landlord and the process was inevitably delayed. The negotiation situation, coupled with the drop of coal prices in recent months, has further held back the coal production progress. According to the co-operation agreement with PT Sinarjaya Mulia Kun ("**PT SMK**"), all contracts for arrangement of infrastructure building and equipment purchasing and hiring will be entered or committed by PT SMK, therefore no capital expenditure was incurred by the Company's coal mining business in FY2020. Operating expenses related to this segment charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK$2.2 million in FY2020.

Investment in a property development project at Port Dickson, Malaysia

On 16 March 2018, the Group acquired 35% of the issued share capital, or 87,500 ordinary shares, of Pacific Memory Sdn Bhd ("**Pacific Memory**"). As at 31 December 2020, the fair value of the Group's investment in Pacific Memory, or the associate, was approximately HK$745,363,000, accounting for 20.1% of the Group's total assets.

Pacific Memory is engaged in commercial development at Port Dickson, Malaysia with facilities including a hotel, yacht club, event venues and retail spaces and related amenities. The development plan of the first phase of proposed commercial development at Port Dickson, Malaysia has already been submitted to the relevant government agencies for approval and the part of the plan related to the building of berths has already been approved. Due to the Covid-19 pandemic, the development progress of the project has been significantly affected. As a result, the local management of Pacific Memory has revised the development plan and resubmitted it to the Port Dickson Municipal Council in October 2020. According to the revised development plan, there are two phases for the development. Phase 1 consists of hotel, wellness centre, village spa and service apartment. Phase 2 consists of property development for commercial purposes. On 1 November 2020, the Port Dickson Municipal Council agreed to extend the planning approval validity period of phase 1 to 1 November 2021. During FY2020, no revenues were recognised and the share of loss of Pacific Memory was approximately HK$1.2 million.

Liquidity, financial resources and capital structure

As at 31 December 2020, the Remaining Group had cash and cash equivalents of approximately HK$9.6 million, including HK$2.3 million denominated in Renminbi, HK$4.3 million denominated in U.S. dollar, HK$2.8 million denominated in Hong Kong dollar, and HK$0.2 million denominated in other currencies.

As at 31 December 2020, the total debts, borrowings, and lease liabilities of the Remaining Group were HK$317.7 million which included shareholders loans amounting to HK$290.6 million; borrowings amounting to HK$14.5 million; and lease liabilities amounting to HK$12.6 million.

Shareholders loans

As at 31 December 2020, the Remaining Group had a total of shareholders loans of approximately HK$290.6 million which included (i) a loan agreement of HK$300.0 million with Mr. Leung: the loan was unsecured with interest bearing at 2.2% per annum and repayable within 2 years; as at 31 December 2020, approximately HK$259.4 million of the loan was repaid; (ii) a loan agreement of HK$20.0 million with Mr. Lim: the loan was unsecured with interest bearing at 2.2% per annum and repayable within 1 year; and (iii) a loan agreement of HK$230 million with Mr. Lim: the loan was unsecured with interest bearing at 5% per annum and repayable within 1 year.

Borrowings

As at 31 December 2020, the Remaining Group had a total of approximately HK$14.5 million of borrowings which included (i) secured bank loans amounting to HK$12.1 million which are secured by certain factory land and buildings of the Remaining Group and personal guarantees. The loans are arranged a floating rate ranging from 5.66% to 6.09% and fixed interest rate ranging from 8.00% to 9.57%; and (ii) unsecured other loans amounting to HK$2.4 million which were interest free.

The maturity profile of the borrowings as at 31 December 2020 is set out below:

	Denominated in	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Currency	*HK'000*	*HK'000*	*HK'000*	*HK'000*
Secured bank loans	RMB	12,079	–	–	**12,079**
Unsecured other loans	HKD	2,380	–	–	**2,380**
Total		**14,459**	**–**	**–**	**14,459**

Lease liabilities

As at 31 December 2020, the Remaining Group had a total of approximately HK$12.6 million of lease liabilities which consisted of (i) amount due within 12 months amounting to approximately HK$6.5 million; and (ii) amount due after 12 months amounting to approximately HK$6.1 million.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Remaining Group entities. The Remaining Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Remaining Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profile of the Remaining Group's borrowings is mainly at fixed rates. The Remaining Group has minimal exposure to interest rate risk, the Remaining Group's operating cash flows are substantially independent of changes in market interest rates. The Remaining Group does not hedge against interest rates risk as the management does not foresee the impact of any fluctuation in interest rates to be material to the Remaining Group.

Charge of Group assets

As at 31 December 2020, certain land and buildings, amounted to approximately HK$59.1 million (2019: approximately HK$51.2 million) of the Remaining Group were pledged to secure banking facilities granted to the Remaining Group. Trade and bills receivables of the Remaining Group amounted to approximately HK$0.7 million (2019: approximately HK$0.6 million) were pledged under factoring arrangement.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2020.

Material acquisition and disposal

The Company completed the acquisition of the then entire issued share capital of 深圳市前海中證華騰實業有限公司 (Shenzhen Qianhai Zhongzheng Huateng Industrial Co., Ltd.*) ("**Huateng**") by Ruifeng from 深圳市前海中證城市發展管理有限公司 (Shenzhen Qianhai Zhongzheng City Development Management Co., Ltd.*) ("**Qianhai Zhongzheng**"). For details of the acquisition, please refer to the Company's circular dated 18 September 2019 and announcement dated 19 March 2020.

Saved as disclosed above, the Remaining Group had no other significant investments held, nor any material acquisition nor disposal in the year ended 31 December 2020.

Future plans for material investments or capital assets

The Remaining Group had no other future plans for material investments or acquisition of capital assets as at 31 December 2020.

Employees and remuneration policy

As at 31 December 2020, the Remaining Group had 29 employees in Hong Kong, 597 employees in PRC and 2 employees in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Remaining Group's business results and employees' individual merit.

The Company has an option scheme which was approved in a shareholders' special general meeting on 31 August 2015 ("**Share Option Scheme 2015**"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Remaining Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during the year ended 31 December 2020 under Share Option Scheme 2015.

Gearing ratio

The Remaining Group's gearing ratio, being total debt over total equity, was 47.9% as at 31 December 2020.

For the eighteen months ended 30 June 2022

Business review

During the eighteen months ended 30 June 2022 ("**FY2021/2022**"), the Remaining Group has been focusing on the manufacture and sale of healthcare and household products, money lending business and coal mining business. The revenue amounted to HK$209.0 million, which represented an increase of approximately 35.1% as compared to HK$154.7 million in 2020. The consolidated loss of the Remaining Group amounted to approximately HK$205.6 million.

Healthcare and household products business

The revenue of the healthcare and household products business in FY2021/2022 increased by approximately HK$53.0 million or by 35.4% to approximately HK$202.8 million as compared to approximately HK$149.8 million in 2020. The increase in revenue was mainly attributable to the longer reporting period of FY2021/2022 versus FY2020. During FY2021/2022, the United States remained the largest market for this segment, accounting for approximately 76% of the revenue, driven by orders from an American multinational consumer goods corporation for kid's toothbrush and an American pharmaceutical company to replenish inventory. Europe and the United Kingdom accounted for approximately 13% of this segment's revenue, with the remaining 11% of the revenue derived from the PRC, Hong Kong and others.

The segment's gross profit margin for FY2021/2022 was approximately 24.0%, which represents a drop of approximately 2.6% as compared to the gross profit margin for the segment for FY2020. This was mainly due to the global shipping disruption caused by the Covid-19 pandemic, which led to tight manufacturing schedule as customers rushed to restock their inventory. In addition, there was inflationary pressure on the cost of raw materials, which further affected the gross profit margin.

Money Lending Business

The Remaining Group's money lending segment generated revenue of approximately HK$6.2 million in FY2021/2022 as compared to HK$4.9 million for the year ended 31 December 2020. Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during FY2021/2022. As at 30 June 2022, the total principal amount of the outstanding loans under the money lending business was approximately HK$49.3 million before netting of discounting effects and impairment allowance.

Coal Mining Business

As disclosed in the announcement of the Company dated 26 April 2022, on 22 April 2022, PT Bara was notified by the Indonesian Government that the Mining License has been revoked and declared invalid with effect from the same date. Upon this, PT Bara has continuously negotiated with the relevant authorities for the purpose of reinstating the Mining License. In June 2022, having obtained legal advices that it is eligible to make an application to reinstate the Mining License, PT Bara submitted an application for the reinstatement of the Mining License to the relevant authorities.

Subsequent to this, further discussions on the application had been carried out between the Indonesian relevant authorities and supplemental information had been provided to the authorities. Despite this, to-date, there is not yet any outcome on the reinstatement application from the relevant authorities. Given the lapse of time and in light of the forthcoming 2024 new government election which may cause uncertainty in regulations in Indonesia, the legal adviser to PT Bara is of the opinion that the chance of the reinstatement of the Mining Licenses would be remote.

Based on the updated legal opinion, the management considers it appropriate to impair in full the carrying amount of the Mining License of approximately HK$108.0 million as at 30 June 2022, with a resultant same amount of impairment loss recognized in the consolidated statement of profit or loss and other comprehensive income for FY2021/2022. Despite the aforesaid impairment being made, the management will continuously pursue the reinstatement application with the relevant local authorities to bring closure to the matter.

Given the circumstance, no capital expenditure was incurred on mining infrastructure as there was no development activity during FY2021/2022. Operating expenses related to this segment charged to the statement of profit or loss and other comprehensive income were mainly administrative expenses, amounting to approximately HK$1.3 million in FY2021/2022 as compared to approximately HK$2.2 million in 2020.

Investment in a property development project at Port Dickson, Malaysia

As at 30 June 2022, the fair value of the Group's investment in Pacific Memory, or the associate, was approximately HK$684,560,000, accounting for 16.6% of the Group's total assets.

During FY2021/2022, Malaysia has been affected by Covid-19 pandemic and been under lock down or different degree of movement control order (MCO) has been applied. The local management has applied for extension of planning approval and obtained from the Planning Department, for the proposed project that includes open parking, sales gallery, hotel, show units, retails, event space, glamping site and outdoor garden. In August 2021, submission of earthwork was made to the Engineering Department of Port Dickson Municipal Council. The Covid-19 pandemic has hindered the development of the project, but the local management has been working closely with government agencies on various aspects of the project. During FY2021/2022, no revenues were recognised and the share of loss of Pacific Memory was approximately HK$1.6 million.

Liquidity, financial resources and capital structure

As at 30 June 2022, the Remaining Group had cash and cash equivalents of approximately HK$7.8 million, including HK$0.3 million denominated in Renminbi, HK$1.6 million denominated in U.S. dollar, HK$5.8 million denominated in Hong Kong dollar, and HK$0.1 million denominated in other currencies.

As at 30 June 2022, the total debts, borrowings, and lease liabilities of the Remaining Group were HK$326.1 million which included shareholders loans amounting to HK$290.6 million; borrowings amounting to HK$32.8 million; and lease liabilities amounting to HK$2.7 million.

Shareholders loan

As at 30 June 2022, the Remaining Group had a total of shareholders loans of approximately HK$290.6 million which included (i) a loan agreement of HK$300.0 million with Mr. Leung: the loan was unsecured with interest bearing at 2.2% per annum and repayable at 31 December 2023 upon extension, and approximately HK$259.4 million of the loan was repaid as at 30 June 2022; (ii) a loan agreement of HK$20.0 million with Mr. Lim: the loan was unsecured with interest bearing at 2.2% per annum and repayable immediately; and (iii) a loan agreement of HK$230 million with Mr. Lim: the loan was unsecured with interest bearing at 5% per annum and repayable immediately.

Borrowings

As at 30 June 2022, the Remaining Group had a total of approximately HK$32.8 million of borrowings which included (i) secured bank loans amounted to approximately HK$10.4 million which are secured by certain factory land and buildings of the Remaining Group and personal guarantees. The loans are arranged a floating rate ranging from 5.66% to 6.09% and fixed interest rate ranging from 8.00% to 9.57%; (ii) unsecured other loans amounting to approximately HK$22.4 million, of which approximately HK$2.4 million was interest free and approximately HK$20.0 million with an effective interest rate of 2.20%.

The maturity profile of the borrowings as at 30 June 2022 is set out below:

	Denominated in	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Currency	*HK'000*	*HK'000*	*HK'000*	*HK'000*
Secured bank loans	RMB	6,237	1,172	2,990	10,399
Unsecured other loans	HKD	22,380	–	–	22,380
Total		**28,617**	**1,172**	**2,990**	**32,779**

Lease liabilities

As at 30 June 2022, the Remaining Group had a total of approximately HK$2.7 million of lease liabilities due within 12 months.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Remaining Group entities. Since the management does not foresee the impact of any fluctuation in interest rates to be material to the Remaining Group, the Remaining Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Remaining Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

Charge of Group assets

As at 30 June 2022, certain land and buildings, amounted to approximately HK$61.7 million (FY2020: approximately HK$59.1 million) of the Remaining Group were pledged to secure banking facilities granted to the Remaining Group. No trade and bills receivables of the Remaining Group amounted to approximately (FY2020: approximately HK$0.7 million) were pledged under factoring arrangement.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 30 June 2022.

Material acquisition and disposal

The Remaining Group had no other significant investments held, nor any material acquisition nor disposal in FY2021/2022.

Future plans for material investments or capital assets

The Remaining Group had no other future plans for material investments or acquisition of capital assets as at 30 June 2022.

Employees and remuneration policy

As at 30 June 2022, the Remaining Group had 20 employees in Hong Kong, 628 employees in PRC and 1 employees in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Remaining Group's business results and employees' individual merit.

Share Option Scheme 2015 was approved in a shareholders' special general meeting on 31 August 2015. Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Remaining Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during FY2021/2022 under Share Option Scheme 2015.

Gearing ratio

The Remaining Group's gearing ratio, being total debt over total equity, was 243.4% as at 30 June 2022.

For the year ended 30 June 2023

Business review

During the year ended 30 June 2023 ("**FY2022/2023**"), the Remaining Group has been focusing on the manufacture and sale of healthcare and household products, money lending business and coal mining business. The revenue amounted to HK$175.7 million, which represented a decrease of approximately 15.9% as compared to HK$209.0 million in FY2021/2022. During FY2021/2022, the Remaining Group recognised a gain on waiver of the RMB200 million promissory note amounted to approximately HK$226.0 million and the gain on forfeiture of non-refundable deposit amounted to HK$24.0 million. The consolidated profit of the Remaining Group amounted to approximately HK$215.4 million.

Healthcare and household products business

The revenue of the healthcare and household products business in FY2022/2023 decreased by approximately HK$30.4 million or by 15.0% to approximately HK$172.4 million as compared to approximately HK$202.8 million in FY2021/2022. The decrease in revenue was the combined effect of (i) a shorter reporting period of FY2022/2023 versus FY2021/2022, and (ii) a surge in sales order from the principal customers in the second half of year 2022 following the ease of the Covid-19 pandemic situation in overseas markets.

During FY2022/2023, the United States remained the largest market for the segment, accounting for approximately 81.3% of the revenue, driven by orders from two of this segment's largest customers, an American multinational consumer goods corporation for kid's toothbrush and an American pharmaceutical company. Europe and the United Kingdom accounted for approximately 8.8% of this segment's revenue, with the remaining 9.9% of the revenue derived from the PRC, Hong Kong and others.

The segment's gross profit margin for FY2022/2023 was approximately 21.8%, which represents a drop of approximately 2.2% as compared to the gross profit margin for the segment for FY2021/2022. This was mainly caused by the global inflation forcing the upstream suppliers to raise the pricing of raw materials during the year.

Money Lending Business

The Remaining Group's money lending segment generated revenue of approximately HK$3.3 million in FY2022/2023 as compared to $6.2 million in FY2021/2022. Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during FY2022/2023. As at 30 June 2022, the total principal amount of the outstanding loans under the money lending business was approximately HK$42.9 million before netting of discounting effects and impairment allowance.

Coal Mining Business

On 24 August 2023, PT Bara was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled (the "**Notice**"). On 7 September 2023, PT Bara entered into an exclusive cooperation agreement (the "**Exclusive Cooperation Agreement**") with PT Nusantara Energi Thermal ("**PT NET**"). Pursuant to the Exclusive Cooperation Agreement, PT NET shall carry out all production activities which include pre-production, production, sales and post-production operations and bear all costs relating to the aforesaid operations including but not limited to operating costs, land acquisition costs, reclamation and infrastructure costs, taxes and other government expenses. PT NET shall be entitled to the value of sales of coal production but shall be obliged to pay royalty fees to PT Bara in accordance with the terms of the Exclusive Cooperation Agreement. On the other hand, PT Bara shall be obliged to guarantee the validity and completeness of the Mining License and grant full rights and exclusive access to PT NET for carrying out its mining activities.

The Exclusive Cooperation Agreement shall be valid for a period of five years from the agreement date. Based on the preliminary time schedule proposed by PT NET, it is expected that the application of the work and budget plan will be made and approved by December 2023, and actual production of coal shall commence when the approval of the work and budget plan is obtained.

Given the circumstance, no capital expenditure was incurred on mining infrastructure as there was no development activity during FY2022/2023. Operating expenses related to this segment charged to the statement of profit or loss and other comprehensive income were mainly administrative expenses, amounting to approximately HK$0.8 million in FY2022/2023 as compared to approximately HK$1.3 million in FY2021/2022.

Investment in a property development project at Port Dickson, Malaysia

As at 30 June 2023, the fair value of the Group's investment in Pacific Memory, or the associate, was approximately HK$617,408,000, accounting for 20.4% of the Group's total assets.

As the Covid-19 restrictions have been eased in early 2023, the market is back to normal, and the local management has been communicating closely with government agencies and other parties on potential cooperation opportunities. During FY2022/2023, no revenues were recognised and the share of loss of Pacific Memory was approximately HK$0.9 million.

Gain on forfeiture of non-refundable deposit

On 24 September 2021, the Company, GPI, Hong Kong Zhongzheng Huijin Limited and Qianhai Zhongzheng entered into a conditional sale and purchase agreement (the "**2022 Disposal Agreement**") relation to the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited (the "**2022 Disposal**"). Details are set out in the Company's circular dated 12 November 2021.

On 28 February 2022, the parties to the 2022 Disposal Agreement entered into a second supplemental agreement, pursuant to which, the parties agreed to extend the completion date to 31 May 2022 or such other date as the parties to the Disposal Agreement may agree. In consideration for the Company agreeing to extend the completion date, a non-refundable deposit of HK$24,000,000 was received. Upon completion, the deposit shall become part of payment of the cash consideration for the 2022 Disposal. Details are set out in the Company's announcement dated 28 February 2022.

Subsequently, the Company entered into several extension agreements to extend completion to 9 January 2023. On 3 January 2023, the 2022 Disposal was terminated and would not proceed, and the non-refundable deposit was forfeited and gain on forfeiture of non-refundable deposit of HK$24.0 million was recognised as other income during the year ended 30 June 2023.

Gain on waiver of promissory note

Upon completion of the acquisition of the entire issued share capital of Huateng on 19 March 2020, the Company issued a six-month interest-free promissory note with a principal amount of RMB200,000,000 as a part of the settlement of the consideration. In the circumstances and to mitigate the possible adverse impact arising from the prolonged extension of completion date of the 2022 Disposal, on 24 October 2022, the holder of promissory note has irrevocably and unconditionally agreed to (i) waive all its rights and claims against the Company under the promissory note and to deliver the promissory note to the Company for cancellation; and (ii) waive all its rights and claims against the Company for all the accrued interest (including default interest, if relevant) payable by the Company in relation to the promissory note. If the completion of the 2022 Disposal takes place, the cancellation of promissory note and waiver of interest should become part of the consideration for the 2022 Disposal.

On 3 January 2023, the 2022 Disposal has been terminated and will not proceed, and that the promissory note is no longer a valid instrument. As a result, the Remaining Group has recognised a gain from the waiver of the promissory note of approximately HK$226.0 million during the year ended 30 June 2023.

Liquidity, financial resources and capital structure

As at 30 June 2023, the Remaining Group had cash and cash equivalents of approximately HK$5.0 million, including HK$0.3 million denominated in Renminbi, HK$2.5 million denominated in U.S. dollar, HK$2.1 million denominated in Hong Kong dollar, and HK$0.1 million denominated in other currencies.

As at 30 June 2023, the total debts, borrowings, and lease liabilities of the Remaining Group were HK$329.5 million which included shareholders loan amounting to HK$282.6 million; borrowings amounting to HK$44.6 million; and lease liabilities amounting to HK$2.3 million.

Shareholders loan

As at 30 June 2023, the Remaining Group had a total of shareholders loans of approximately HK$282.6 million which included (i) a loan agreement of HK$300.0 million with Mr. Leung: the loan was unsecured with interest bearing at 2.2% per annum and repayable at 31 December 2023 upon extension, and approximately HK$267.4 million of the loan was repaid as at 30 June 2023; (ii) a loan agreement of HK$20.0 million with Mr. Lim: the loan was unsecured with interest bearing at 2.2% per annum and repayable at 31 December 2023 upon extension; and (iii) a loan agreement of HK$230 million with Mr. Lim: the loan was unsecured with interest bearing at 5% per annum and repayable at 31 December 2023 upon extension.

Borrowings

As at 30 June 2023, the Remaining Group had a total of approximately HK$44.6 million of borrowings which included (i) secured bank loans amounted to approximately HK$22.2 million which are secured by certain factory land and buildings of the Remaining Group and personal guarantees. The loans are arranged a floating rate ranging from 5.65% to 6.9%; and (ii) unsecured other loans amounting to approximately HK$22.4 million, of which approximately HK$2.4 million was interest free and approximately HK$20.0 million with an effective interest rate of 2.20% and repayable at 31 December 2023 upon extension.

The maturity profile of the borrowings as at 30 June 2023 is set out below:

	Denominated in	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	Currency	*HK'000*	*HK'000*	*HK'000*	*HK'000*
Secured bank loans	RMB	2,679	4,354	15,190	22,223
Unsecured other loans	HKD	22,380	–	–	22,380
Total		**25,059**	**4,354**	**15,190**	**44,603**

Lease liabilities

As at 30 June 2023, the Remaining Group had a total of approximately HK$2.3 million of lease liabilities which consisted of (i) amount due within 12 months amounting to approximately HK$1.0 million; and (ii) amount due after 12 months amounting to approximately HK$1.3 million.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Remaining Group entities. Since the management does not foresee the impact of any fluctuation in interest rates to be material to the Remaining Group, the Remaining Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Remaining Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

Charge of Group assets

As at 30 June 2023, certain land and buildings, amounted to approximately HK$56.6 million (FY2021/2022: approximately HK$61.7 million) of the Remaining Group were pledged to secure banking facilities granted to the Remaining Group.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 30 June 2023.

Material acquisition and disposal

The Remaining Group had no other significant investments held, nor any material acquisition nor disposal in FY2022/2023.

Future plans for material investments or capital assets

The Remaining Group had no other future plans for material investments or acquisition of capital assets as at 30 June 2023.

Employees and remuneration policy

As at 30 June 2023, the Remaining Group had 21 employees in Hong Kong, 562 employees in PRC and 1 employees in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Remaining Group's business results and employees' individual merit.

Share Option Scheme 2015 was approved in a shareholders' special general meeting on 31 August 2015. Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Remaining Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during FY2022/2023 under Share Option Scheme 2015.

Gearing ratio

The Remaining Group's gearing ratio, being total debt over total equity, was 104.0% as at 30 June 2023.

For the six months ended 31 December 2023

Business review

During the six months ended 31 December 2023 ("**HY2023/2024**"), the Remaining Group has been focusing on the manufacture and sale of healthcare and household products, money lending business and coal mining business. The revenue amounted to HK$47.6 million, which represented a decrease of approximately 58.2% as compared to HK$113.9 million in the six months ended 31 December 2022 ("**HY2022/2023**"). The consolidated profit of the Remaining Group amounted to approximately HK$3.6 million.

Healthcare and household products business

The revenue of the healthcare and household products business in HY2023/2024 decreased by approximately HK$65.9 million or by 58.2% to approximately HK$47.3 million as compared to approximately HK$113.2 million in HY2022/2023. The segment's gross profit margin for HY2023/2024 was approximately 29.3%, which remained stable as compared to approximately 30.2% for HY2022/23. The decline in sales was mainly due to destocking by the overseas customers. After benefited from a surge in sales order from its principal customers in the second half of year 2022 following the ease of the Covid-19 pandemic situation in overseas markets, the purchase orders for the period has decreased as consumer demand was slowed down in the year of 2023, affected by high inflation and interest rate hikes. As a result, the customers were in destocking process during the period and had reduced their orders placed with this segment.

During HY2023/2024, the United States remained the largest market for this segment, accounting for approximately 71.9% of the revenue while Germany and the United Kingdom accounted for approximately 12.4% and approximately 0.8% respectively, with the remaining 14.9% of the revenue derived from Hong Kong and others.

During HY2023/2024, the private label adult disposable, high-end, and sonic powered toothbrushes products developed by this segment have seen commendable growth in sales, and Fairform is currently deepening its collaboration with the customers in these products.

Money Lending Business

The Remaining Group's money lending segment generated revenue of approximately HK$0.3 million in HY2023/2024 as compared to $0.7 million in HY2022/2023. Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during HY2023/2024. As at 31 December 2023, the total principal amount of the outstanding loans under the money lending business was approximately HK$43.2 million before netting of discounting effects and impairment allowance.

Coal Mining Business

On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the actual coal production is expected to commence with coal sales set to begin in the first half of 2024.

During HY2023/2024, no material activities had been carried on by this segment. Operating expenses related to the Group's coal mining business charged to the statement of profit or loss and other comprehensive income were mainly administrative expenses, amounting to approximately HK$356,000 for HY2023/2024 as compared to HK$484,000 in for HY2022/2023.

Investment in a property development project at Port Dickson, Malaysia

An extension of planning approval has been obtained from the Planning Department for the overall project. Professional consultant is being engaged to develop sales and marketing plans specifically for the berths facilities in the first half of 2024. During HY2023/2024, no revenues were recognised and the share of loss of Pacific Memory was approximately HK$0.6 million.

Liquidity, financial resources and capital structure

As at 31 December 2023, the Remaining Group had cash and cash equivalents of approximately HK$8.0 million, including HK$0.4 million denominated in Renminbi, HK$4.3 million denominated in U.S. dollar, HK$2.9 million denominated in Hong Kong dollar, and HK$0.4 million denominated in other currencies.

As at 31 December 2023, the total debts, borrowings, and lease liabilities of the Remaining Group were HK$308.2 million which included shareholders loan amounting to HK$282.6 million; borrowings amounting to HK$23.8 million; and lease liabilities amounting to HK$1.8 million.

Shareholders loan

As at 31 December 2023, the Remaining Group had a total of shareholders loans of approximately HK$282.6 million which included (i) a loan agreement of HK$300.0 million with Mr. Low: the loan was assigned to Mr. Low from Mr. Leung and was unsecured with interest bearing at 2.2% per annum and repayable at 31 December 2024 upon extension, and approximately HK$267.4 million of the loan was repaid as at 31 December 2023; (ii) a loan agreement of HK$20.0 million with Mr. Lim: the loan was unsecured with interest bearing at 2.2% per annum and repayable at 31 December 2024 upon extension; and (iii) a loan agreement of HK$230 million with Mr. Lim: the loan was unsecured with interest bearing at 5% per annum and repayable at 31 December 2024 upon extension.

Borrowings

As at 31 December 2023, the Remaining Group had a total of approximately HK$23.8 million of borrowings which included (i) secured bank loans amounted to approximately HK$21.4 million which are secured by certain factory land and buildings of the Remaining Group and personal guarantees. The loans are arranged a floating rate ranging from 5.65% to 6.9%; and (ii) unsecured other loans amounting to HK$2.4 million which were interest free.

The maturity profile of the borrowings as at 31 December 2023 is set out below:

	Denominated in	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	Currency	*HK'000*	*HK'000*	*HK'000*	*HK'000*
Secured bank loans	RMB	2,739	18,613	–	21,352
Unsecured other loans	HKD	2,380	–	–	2,380
Total		**5,119**	**18,613**	**–**	**23,732**

Lease liabilities

As at 31 December 2023, the Remaining Group had a total of approximately HK$1.8 million of lease liabilities which consisted of (i) amount due within 12 months amounting to approximately HK$1.1 million; and (ii) amount due after 12 months amounting to approximately HK$0.7 million.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Remaining Group entities. Since the management does not foresee the impact of any fluctuation in interest rates to be material to the Remaining Group, the Remaining Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Remaining Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

Charge of Group assets

As at 31 December 2023, certain land and buildings, amounted to approximately HK$57.9 million (FY2022/2023: approximately HK$56.6 million) of the Remaining Group were pledged to secure banking facilities granted to the Remaining Group.

Contingent liabilities

The Remaining Group had no material contingent liabilities as at 31 December 2023.

Material acquisition and disposal

The Remaining Group had no other significant investments held, nor any material acquisition nor disposal in HY2023/2024.

Future plans for material investments or capital assets

The Remaining Group had no other future plans for material investments or acquisition of capital assets as at 31 December 2023.

Employees and remuneration policy

As at 31 December 2023, the Remaining Group had 19 employees in Hong Kong, 505 employees in PRC and 2 employees in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Remaining Group's business results and employees' individual merit.

Share Option Scheme 2015 was approved in a shareholders' special general meeting on 31 August 2015. Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Remaining Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during HY2023/2024 under Share Option Scheme 2015.

Gearing ratio

The Remaining Group's gearing ratio, being total debt over total equity, was 82.5% as at 31 December 2023.

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below are the unaudited condensed consolidated statements of financial position of Hong Kong Zhongzheng City Investment Limited and its subsidiaries (the "**Disposal Group**") as at 31 December 2020, 30 June 2022 and 30 June 2023 and 31 December 2023, condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Disposal Group for the year ended 31 December 2020, the period from 1 January 2021 to 30 June 2022, the year ended 30 June 2023 and each of the six months ended 31 December 2022 and 2023 (the "**Relevant Periods**") and explanatory notes, which have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

As at 31 December 2023, the Disposal Group has net liabilities and net current liabilities of approximately HK$440,468,000 and HK$437,280,000 respectively. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Disposal Group's ability to continue as a going concern. Accordingly, the review report includes an emphasis of matter paragraph.

In addition, the auditor has included basis of disclaimer of conclusion in the review report on the financial information of the Disposal Group which comprises the unaudited condensed consolidated statements of financial position as at 30 June 2022, 30 June 2023 and 31 December 2023 and the unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows of the Disposal Group for the period from 1 January 2021 to 30 June 2022, the year ended 30 June 2023 and each of the six months ended 31 December 2022 and 2023 (the "**Disclaimer Periods**").

Because of the significance of the matters described in the "Basis of Disclaimer of Conclusion" section of the review report, the auditor were unable to carry out sufficient review procedures to provide a basis for a conclusion on the financial information of the Disposal Group for the Disclaimer Periods. Accordingly, the auditor does not express a conclusion on the financial information of the Disposal Group for the Disclaimer Periods. Details of the disclaimer is set out in the auditors' review report below.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2020	1 January 2021 to 30 June 2022	Year ended 30 June 2023	Six months ended 31 December 2022	Six months ended 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	–	–	697,216	632,606	36,495
Cost of sales	–	–	(484,402)	(469,286)	(44,848)
Gross profit/(loss)	–	–	212,814	163,320	(8,353)
Other income and other gains and losses	172	21,114	15,657	9,176	5,259
Selling and distribution expenses	(4,826)	(4,204)	(33,964)	(8,358)	(975)
Administrative expenses	(32,405)	(64,657)	(15,954)	(24,638)	(4,522)
(Loss)/profit from operations	(37,059)	(47,747)	178,553	139,500	(8,591)
Gain on bargain purchase	42,765	–	–	–	–
Impairment loss on interest in an associate	–	–	(75,860)	–	(327,144)
Impairment loss on amount due from an associate	–	–	–	–	(68,093)
Impairment loss on properties under development for sales	–	–	–	–	(405,267)
Impairment of other receivables	–	–	(2,481)	–	–
Share of result of an associate	2,398	(83,747)	(37,331)	(24,287)	(21,303)
Finance costs	(1,577)	(25,168)	(79,520)	(27,476)	(102,237)
Profit/(loss) before tax	6,527	(156,662)	(16,639)	87,737	(932,635)
Income tax (expense)/credit	–	–	(166,245)	(134,154)	24,093
Profit/(loss) for the year/period	6,527	(156,662)	(182,884)	(46,417)	(908,542)

	Year ended 31 December 2020 *HK$'000* (Unaudited)	1 January 2021 to 30 June 2022 *HK$'000* (Unaudited)	Year ended 30 June 2023 *HK$'000* (Unaudited)	Six months ended 31 December 2022 *HK$'000* (Unaudited)	Six months ended 31 December 2023 *HK$'000* (Unaudited)
Attributable to:					
Owners of the Disposal Company	19,931	(141,868)	(146,267)	(33,616)	(673,692)
Non-controlling interests	(13,404)	(14,794)	(36,617)	(12,801)	(234,850)
	6,527	(156,662)	(182,884)	(46,417)	(908,542)
Profit/(loss) for the year/period	6,527	(156,662)	(182,884)	(46,417)	(908,542)
Other comprehensive income/ (loss)					
Exchange differences on translating foreign operations	44,232	(15,324)	(53,549)	(27,902)	(3,576)
Total comprehensive income/ (loss) for the year/period	50,759	(171,986)	(236,433)	(74,319)	(912,118)
Total comprehensive income/ (loss) for the year/period attributable to:					
Owners of the Disposal Company	60,625	(157,189)	(199,229)	(61,518)	(672,317)
Non-controlling interests	(9,866)	(14,797)	(37,204)	(12,801)	(239,801)
	50,759	(171,986)	(236,433)	(74,319)	(912,118)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 31 December 2020	At 30 June 2022	At 30 June 2023	At 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-current assets				
Property, plant and equipment	1,292	962	685	701
Right-of-use assets	14,101	6,993	–	–
Interests in an associate	573,487	494,881	347,610	–
	588,880	502,836	348,295	701
Current assets				
Properties under development for sales	1,559,362	1,349,567	1,249,032	863,692
Properties held for sales	–	702,754	211,636	170,642
Trade and other receivables	189,534	193,268	91,977	102,711
Amount due from an associate	140,060	332,568	292,616	235,057
Current tax assets	33	32	30	31
Bank and cash balances	167,527	159,676	36,475	35,820
	2,056,516	2,737,865	1,881,766	1,407,953
Current liabilities				
Trade and other payables	578,208	1,087,937	379,668	470,830
Amount due to the ultimate holding company	347,799	400,572	176,318	176,165
Current tax liabilities	–	–	131,100	139,329
Lease liabilities	4,297	1,807	–	–
Borrowings	688,718	992,517	1,036,753	1,058,909
	1,619,022	2,482,833	1,723,839	1,845,233
Net current assets/(liabilities)	437,494	255,032	157,927	(437,280)
Total assets less current liabilities	1,026,374	757,868	506,222	(436,579)

	At 31 December 2020 *HK$'000* (Unaudited)	At 30 June 2022 *HK$'000* (Unaudited)	At 30 June 2023 *HK$'000* (Unaudited)	At 31 December 2023 *HK$'000* (Unaudited)
Non-current liabilities				
Lease liabilities	10,329	6,125	–	–
Borrowings	297,078	206,116	–	–
Deferred tax liabilities	64,360	63,499	34,572	3,889
	371,767	275,740	34,572	3,889
NET ASSETS/(LIABILITIES)	654,607	482,128	471,650	(440,468)
Capital and reserves				
Capital	–	–	–	–
Reserves	613,707	456,518	483,244	(189,073)
Equity attributable to owners of the Company	613,707	456,518	483,244	(189,073)
Non-controlling interests	40,900	25,610	(11,594)	(251,395)
TOTAL EQUITY	654,607	482,128	471,650	(440,468)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Owners of the Disposal Company							
	Capital	Capital Reserve	Other Reserve	Translation Reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2020	–	1,367	40,774	(27,862)	538,803	553,082	447	553,529
Acquisition of subsidiaries	–	–	–	–	–	–	50,319	50,319
Total comprehensive income for the year	–	–	–	40,694	19,931	60,625	(9,866)	50,759
As at 31 December 2020	–	1,367	40,774	12,832	558,734	613,707	40,900	654,607
As at 1 January 2021	–	1,367	40,774	12,832	558,734	613,707	40,900	654,607
Return of capital to non-controlling shareholders	–	–	–	–	–	–	(493)	(493)
Total comprehensive loss for the period	–	–	–	(15,321)	(141,868)	(157,189)	(14,797)	(171,986)
As at 30 June 2022	–	1,367	40,774	(2,489)	416,866	456,518	25,610	482,128
As at 1 July 2022	–	1,367	40,774	(2,489)	416,866	456,518	25,610	482,128
Waiver of repayments of amount due to the ultimate holding company *(Note i)*	–	–	225,955	–	–	225,955	–	225,955
Total comprehensive loss for the year	–	–	–	(52,962)	(146,267)	(199,229)	(37,204)	(236,433)
As at 30 June 2023	–	1,367	266,729	(55,451)	270,599	483,244	(11,594)	471,650
As at 1 July 2023	–	1,367	266,729	(55,451)	270,599	483,244	(11,594)	471,650
Total comprehensive loss for the period	–	–	–	1,375	(673,692)	(672,317)	(239,801)	(912,118)
As at 31 December 2023	–	1,367	266,729	(54,076)	(403,093)	(189,073)	(251,395)	(440,468)
As at 1 July 2022	–	1,367	40,774	(2,489)	416,866	456,518	25,610	482,128
Total comprehensive loss for the period	–	–	–	(27,902)	(33,616)	(61,518)	(12,801)	(74,319)
As at 31 December 2022	–	1,367	40,774	(30,391)	383,250	395,000	12,809	407,809

Note:

i. Among the amount due to ultimate holding company, there is an amount related to the promissory note in the principal amount of RMB200,000,000 previously issued by the Company to Qianhai Zhongzheng on behalf of the Disposal Company as part of the settlement of the consideration for the acquisition of the entire issued share capital of Huateng in 2020. On 3 January 2023, the holder of the promissory note had irrevocably and unconditionally agreed to waive all its rights and claims against the Company under the promissory note and the promissory note was no longer a valid instrument. Accordingly, the Company also waived the repayments rights for amounts from the Disposal Company and therefore the Disposal Company transferred the amount due to ultimate holding company of RMB200,000,000 to other reserve as contribution from shareholders.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2020 HK$'000	1 January 2021 to 30 June 2022 HK$'000	Year ended 30 June 2023 HK$'000	Six months ended 31 December 2022 HK$'000	2023 HK$'000
Cash flows from operating activities					
(Loss)/profit before tax	(2,908)	(156,662)	(16,639)	87,737	(932,635)
Adjustments for:					
Finance costs	11,012	25,168	79,520	27,476	102,237
Interest income	(151)	(18,571)	(14,617)	(8,997)	(5,258)
Depreciation of property, plant and equipment	338	717	215	95	–
Depreciation of right-of-use assets	3,687	7,116	1,662	1,380	–
Gain on bargain purchase	(42,765)	–	–	–	–
Gain on lease termination	–	–	(1,037)	–	–
Impairment loss on amount due from an associate	–	–	–	–	68,093
Impairment loss on properties under development for sales	–	–	–	–	405,267
Impairment of other receivables	–	–	2,481	–	–
Impairment loss on interest in an associate	–	–	75,860	–	327,144
Share of results of an associate	(2,398)	83,747	37,331	24,287	21,303
Operating (loss)/profit before working capital changes	(33,185)	(58,485)	164,776	131,978	(13,849)
Change in trade and other receivables	27,747	(6,447)	65,067	32,014	(8,501)
Change in properties under development for sales and properties held for sales	(307,806)	(422,518)	432,479	392,292	53,838
Change in trade and other payables	333,058	487,262	(720,107)	(543,369)	(21,212)
Cash used in operations	19,814	(188)	(57,785)	12,915	10,276
Interest received	151	–	231	–	33
Tax paid	–	–	(29,763)	(21,587)	(1,566)
Net cash generated from/(used in) operating activities	19,965	(188)	(87,317)	(8,672)	8,743

	Year ended 31 December 2020 *HK$'000*	1 January 2021 to 30 June 2022 *HK$'000*	Year ended 30 June 2023 *HK$'000*	Six months ended 31 December 2022 *HK$'000*	2023 *HK$'000*
Cash flows from investing activities					
Acquisition of subsidiaries	27,843	–	–	–	–
Changes in amounts due from associates	(104,343)	(181,353)	28,832	34,892	–
Purchase of property, plant and equipment	(764)	(396)	(4)	(4)	–
Net cash (used in)/generated from investing activities	(77,264)	(181,749)	28,828	34,888	–
Cash flows from financing activities					
Advance from the ultimate holding company	85,199	34,339	19,368	–	–
Repayments of advances from the ultimate holding company	–	–	(2,636)	(2,636)	(153)
Repayment of lease liabilities	(4,072)	(8,182)	(1,952)	(1,607)	–
Advance from shareholder	469,340	–	–	–	–
Repayment of shareholder loans	(368,913)	–	–	–	–
Repayment of borrowings	(343,197)	(527,681)	(79,685)	(78,974)	(1,083)
New borrowings	371,624	734,633	5,639	–	–
Capital refunded to non-controlling interests	–	(493)	–	–	–
Interest paid	–	(59,149)	(7,795)	(7,763)	–
Net cash generated from/(used in) financing activities	209,981	173,467	(67,061)	(90,980)	(1,236)
Net increase/(decrease) in cash and cash equivalents	152,682	(8,470)	(125,550)	(64,764)	7,507
Cash and cash equivalents at the beginning of the year/period	2,805	167,527	159,676	159,676	36,475
Effect of changes in foreign exchange rate	12,040	619	2,349	(8,154)	(8,162)
Cash and cash equivalents at the end of the year/period	167,527	159,676	36,475	86,758	35,820
Analysis of cash and cash equivalents					
Bank and cash balances	167,527	159,676	36,475	86,758	35,820

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Disposal Company was incorporated as a limited liability company in the British Virgin Islands ("**BVI**") on 11 October 2018. The registered office of the Disposal Company is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

In the opinion of the Directors, as at 31 December 2023, Zhongzheng International Company Limited (the "**Company**"), a company established in the Bermuda, is the ultimate holding company of the Disposal Company.

On 6 May 2024, the Company, Grand Prominent International Limited (a wholly-owned subsidiary of the Company) as vendor and Mr. Lim Kim Chai as purchaser entered into an agreement for the disposal of entire equity interest in the Disposal Company (the "**Disposal**"). Upon completion of the Disposal, members of the Disposal Group will cease to be subsidiaries of the Company.

The unaudited condensed consolidated financial information are presented in Hong Kong Dollars ("**HK$**") unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Disposal Group has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a set of condensed financial statements as defined in Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in connection with the annual report of the Company for the year ended 30 June 2023 and the interim report of the Company for the six months ended 31 December 2023.

The unaudited financial information has been prepared in accordance with the accounting policies adopted by the Company and its subsidiaries (the "**Group**") as set out in the annual report of the Company for the year ended 30 June 2023. These policies have been consistently applied to all the periods presented.

3. GOING CONCERN BASIS

The Disposal Group incurred net liabilities and net current liabilities as at 31 December 2023 of approximately HK$440,468,000 and HK$437,280,000 respectively. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Disposal Group's ability to continue as a going concern. Therefore, the Disposal Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Disposal Group and the Disposal Group's available sources of financing and have considered the Disposal Group's cash flow projections prepared by management for a period of not less than 12 months from the end of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Disposal Group:

– the Directors considered that even in any event that the Disposal Group could not reach a new repayment plan with lenders regarding the defaulted borrowings in the future, it will not affect the continuity of the business of the Disposal Company, as there is no corporate guarantee nor any other assets pledged on the Disposal Company on the defaulted borrowings;

– the Disposal Group is negotiating with lenders to extend repayment of borrowings and interests; and

– the Disposal Group is implementing cost-saving measures to improve its operating cash flows and financial position.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited financial information on a going concern basis. Should the Disposal Group be unable to continue as a going concern, adjustments would have to be made to the unaudited financial information to adjust the value of the Disposal Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

4. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Disposal Group has not applied the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the unaudited financial information. The Disposal Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong

INDEPENDENT REVIEW REPORT

中汇 ZHONGHUI

TO THE BOARD OF DIRECTORS OF
ZHONGZHENG INTERNATIONAL COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We were engaged to review the financial information of Hong Kong Zhongzheng City Investment Limited (the "**Disposal Company**") and its subsidiaries (collectively referred to as the "**Disposal Group**") set out on pages II-2 to II-10 which comprises the unaudited condensed consolidated statements of financial position as at 31 December 2020, 30 June 2022, 30 June 2023 and 31 December 2023 and the unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows of the Disposal Group for the year ended 31 December 2020, the period from 1 January 2021 to 30 June 2022, the year ended 30 June 2023 and each of the six months ended 31 December 2022 and 2023 (the "**Relevant Periods**") and explanatory notes. The financial information has been prepared solely for the purpose of inclusion in the circular issued by Zhongzheng International Company Limited (the "**Company**") dated 28 June 2024 in connection with the disposal of the Disposal Group in accordance with the Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the financial information of the Disposal Group in accordance with the basis of preparation set out in note 2 to the financial information and Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We planned to conduct our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of financial information consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

However, because of the matters described in the "Basis for Disclaimer of Conclusion" section of our report, we were not able to carry out sufficient review procedures to provide a basis for a conclusion on the financial information of the Disposal Group which comprises the unaudited condensed consolidated statements of financial position as at 30 June 2022, 30 June 2023 and 31 December 2023 and the unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows of the Disposal Group for the period from 1 January 2021 to 30 June 2022, the year ended 30 June 2023 and each of the six months ended 31 December 2022 and 2023 (the "**Disclaimer Periods**").

Basis of Disclaimer of Conclusion

1. Interest in an associate and amount due from an associate

Included in the condensed consolidated financial statements is interest in an associate, Chengde Zhongzheng Jinyu Investment Development Co., Ltd ("**Chengde Jinyu**") with carrying amount of approximately HK$494,881,000, HK$347,610,000 and HK$Nil, as at 30 June 2022, 30 June 2023 and 31 December 2023 respectively, impairment loss on interest in an associate of approximately HK$Nil, HK$75,860,000, HK$Nil and HK$327,144,000 for the period from 1 January 2021 to 30 June 2022, for the year ended 30 June 2023 and for each of the six months ended 31 December 2022 and 2023 respectively, share of loss of approximately HK$83,747,000, HK$37,331,000, HK$24,287,000 and HK$21,303,000 for the period from 1 January 2021 to 30 June 2022, for the year ended 30 June 2023 and for each of the six months ended 31 December 2022 and 2023 respectively and share of associate's exchange differences on translating foreign operations of approximately HK$5,141,000 (income), HK$34,080,000 (loss), HK$23,688,000 (loss) and HK$838,000 (income) respectively for the period from 1 January 2021 to 30 June 2022, for the year ended 30 June 2023 and for each of the six months ended 31 December 2022 and 2023 respectively. Chengde Jinyu is engaged in primary land development in the People's Republic of China (the "**PRC**").

During the Disclaimer Periods, Chengde Jinyu incurred significant loss and had not repaid certain borrowings according to their scheduled repayment dates. Chengde Jinyu's continuing as a going concern is subject to the future sales of land and additional financing to be obtained. Due to the change in the condition of the property market in the PRC, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the estimated schedule for sales of land which is the major assumption adopted in the calculation of the value in use of Chengde Jinyu. As such, the value in use of Chengde Jinyu cannot be reliably measured. In addition, Chengde Jinyu temporarily suspended its business operations from February 2023, the management is unable to obtain complete accounting books and records of Chengde Jinyu. As a result, we are unable to ascertain the recoverable amount of Chengde Jinyu as at 30 June 2022, 30 June 2023 and 31 December 2023 and the accuracy of the share of loss, share of associate's exchange differences on translating foreign operations and impairment loss on interest in an associate for the Disclaimer Periods.

In addition, we are unable to ascertain that the amount due from Chengde Jinyu of approximately HK$332,568,000, HK$292,616,000 and HK$235,057,000 as at 30 June 2022, 30 June 2023 and 31 December 2023 respectively can be recovered in full, the accuracy of the impairment loss on amount due from associate of approximately HK$Nil, HK$Nil, HK$Nil and HK$68,093,000 for the period from 1 January 2021 to 30 June 2022, for the year ended 30 June 2023 and for each of the six months ended 31 December 2022 and 2023 respectively and the validity of the interest income of approximately HK$18,571,000, HK$14,386,000, HK$8,997,000 and HK$5,225,000 recognised for the period from 1 January 2021 to 30 June 2022, for the year ended 30 June 2023 and for each of the six months ended 31 December 2022 and 2023 respectively.

2. Properties under development for sales and prepayments

During the year ended 30 June 2023, for the six months ended 31 December 2023 and subsequent to the end of reporting period, a non-wholly owned subsidiary, Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司) (the "**Nanjing Project Company**") had defaulted the settlement of bank borrowings and the development of the properties under development for sales (the "**PUD**") was temporarily suspended since August 2022. The carrying amounts of the PUD of the Nanjing Project Company as at 30 June 2022, 30 June 2023 and 31 December 2023 were approximately HK$1,349,567,000, HK$1,249,032,000 and HK$863,692,000 respectively. In estimating the net realisable value of the PUD, the management assumes that the Nanjing Project Company is able to obtain further financing from financial institutes or potential investors and resume the development. However, due to the uncertainty in obtaining further financing from financial institute or potential investors, we were unable to evaluate the appropriateness of the estimation of future selling price and the costs to completion of the PUD. Thus, we are unable to determine whether the net realisable value of the PUD is higher than its carrying amount, and the accuracy of the impairment loss on PUD of approximately HK$Nil, HK$Nil, HK$Nil and HK$405,267,000 for the period from 1 January 2021 to 30 June 2022, for the year ended 30 June 2023 and for each of the six months ended 31 December 2022 and 2023 respectively. In addition, we are unable to determine the prepayments of approximately HK$25,947,000, HK$35,115,000 and HK$36,008,000 respectively as at 30 June 2022, 30 June 2023 and 31 December 2023 respectively which related to the PUD can be recovered in full.

3. Borrowings

During the year ended 30 June 2023, for the six months ended 31 December 2023 and subsequent to the end of reporting period, a non-wholly owned subsidiary, the Nanjing Project Company had defaulted the settlement of bank borrowings of RMB319,740,000 (equivalent to approximately HK$353,187,000 as at 31 December 2023). The bank has initiated legal proceedings at the PRC court against the Nanjing Project Company to demand repayment of bank borrowings. On 29 December 2023, the Nanjing Project Company received a judgement from The Intermediate People's Court of Nanjing, Jiangsu Province, ruled that the Nanjing Project Company was required to repay the outstanding loan principal, default charges on overdue bank borrowings of approximately HK$34,627,000, as well as the loans interests and penalty loans interests within 10 days from the effective date of the judgement. It was further noted from a public notice in December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services) that the debt had been disposed of by the bank as non-performing loans.

The Disposal Group is trying to contact with the bank and the buyer of non-performing loans for enquiring the current status of bank borrowings. Up to date of this report, no feedback is received from the bank and the buyer of non-performing loans. Thus, we are unable to obtain sufficient audit evidence and there are no other satisfactory audit procedures that we could adopt to ascertain the existence, completeness and accuracy of bank borrowings of HK$353,187,000 as at 31 December 2023 and the completeness and accuracy of finance costs related to bank borrowings of approximately HK$100,656,000 for the six months ended 31 December 2023.

Conclusion for the financial information for the year ended 31 December 2020

Based on our review, nothing has come to our attention that causes us to believe that the financial information of the Disposal Group for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the financial information.

Conclusion for the financial information for the Disclaimer Periods

Because of the significance of the matters described in the "Basis of Disclaimer of Conclusion" section of our report, we were unable to carry out sufficient review procedures to provide a basis for a conclusion on the financial information of the Disposal Group for the Disclaimer Periods. Accordingly, we do not express a conclusion on the financial information of the Disposal Group for the Disclaimer Periods.

Material uncertainty relating to the going concern basis

Without qualifying our opinion, we draw attention to note 3 to the unaudited financial information which mentions that as at 31 December 2023 the Disposal Group had net liabilities and net current liabilities of approximately HK$440,468,000 and HK$437,280,000 respectively. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Disposal Group's ability to continue as a going concern.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong
28 June 2024

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the Disposal might have affected the financial information of the Group.

The unaudited pro forma consolidated statement of profit or loss and statement of cash flows of the Remaining Group for the year ended 30 June 2023 are prepared based on the audited consolidated statement of profit or loss and statement of cash flows of the Group for the year ended 30 June 2023 as extracted from the annual report of the Company for the year ended 30 June 2023 as if the Disposal had been completed on 1 July 2022.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2023 is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the interim report of the Company for the six months ended 31 December 2023 as if the Disposal had been completed on 31 December 2023.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

AS AT 31 DECEMBER 2023

	The Group as at 31 December 2023	Pro forma adjustments for the Disposal				The Remaining Group as at 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)					(Unaudited)
	Note 1(i)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets						
Exploration and evaluation assets	–					–
Property, plant and equipment	64,142	(701)				63,441
Right-of-use assets	1,838					1,838
Interests in associates	552,844					552,844
Loans and interests receivables	3,394					3,394
	622,218					621,517
Current assets						
Inventories	15,424					15,424
Properties under development for sales	863,692	(863,692)				–
Properties held for sales	170,642	(170,642)				–
Trade and other receivables	207,942	(102,711)				105,231
Due from Disposal Group	–	176,165	(176,165)			–
Loans and interests receivables	7,442					7,442
Amount due from associates	256,938	(235,057)				21,881
Current tax assets	31	(31)				–
Bank and cash balances	43,845	(35,820)		(4,700)		3,325
	1,565,956					153,303
Current liabilities						
Trade and other payables	(599,825)	470,830		53,700		(75,295)
Lease liabilities	(1,071)					(1,071)
Borrowings	(1,064,028)	1,058,909				(5,119)
Shareholders loans	(282,600)				250,000	(32,600)
Current tax liabilities	(145,193)	139,329				(5,864)
	(2,092,717)					(119,949)
Net current (liabilities)/assets	(526,761)					33,354
Total assets less current liabilities	95,457					654,871

	The Group as at 31 December 2023	Pro forma adjustments for the Disposal				The Remaining Group as at 31 December 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)					(Unaudited)
	Note 1(i)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current liabilities						
Lease liabilities	(766)					(766)
Borrowings	(18,613)					(18,613)
Shareholders loans	–				(250,000)	(250,000)
Deferred tax liabilities	(17,997)	3,889				(14,108)
	(37,376)					(283,487)
	58,081					371,384
Capital and reserves						
Share capital	513					513
Reserves:						
Share premium	899,144					899,144
Accumulated losses	(1,174,941)			7,832		(1,167,109)
Others	584,760			54,076		638,836
Equity attributable to owners of the Company	309,476					371,384
Non-controlling interests	(251,395)			251,395		–
TOTAL EQUITY	58,081					371,384

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

FOR THE YEAR ENDED 30 JUNE 2023

	The Group for the year ended 30 June 2023	Pro forma adjustments for the Disposal		The Remaining Group for the year ended 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(ii)	*Note 6*	*Note 7*	
Revenue	869,637		(697,216)	172,421
Interest revenue	3,273			3,273
Total revenue	872,910			175,694
Cost of sales	(619,223)		484,402	(134,821)
Gross profit	253,687			40,873
Other income and other gains and losses	268,633		(15,657)	252,976
Selling and distribution expenses	(36,185)		33,964	(2,221)
Administrative expenses	(80,943)		15,954	(64,989)
Profit from operations	405,192			226,639
Impairment loss on interest in an associate	(75,860)		75,860	–
Impairment of loan and interest receivables	(4,264)			(4,264)
Impairment of other receivables	(2,481)		2,481	–
Loss on disposal of the Disposal Group	–	(810,579)		(810,579)
Share of results of associates	(38,208)		37,331	(877)
Finance costs	(84,618)		69,898	(14,720)
Profit/(loss) before tax	199,761			(603,801)
Income tax expense	(167,247)		166,245	(1,002)
Profit/(loss) for the year	32,514			(604,803)
Profit/(loss) for the year attributable to:				
Owners of the Company	69,131	(810,579)	136,645	(604,803)
Non-controlling interests	(36,617)		36,617	–
	32,514			(604,803)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

FOR THE YEAR ENDED 30 JUNE 2023

	The Group for the year ended 30 June 2023	Pro forma adjustments for the Disposal		The Remaining Group for the year ended 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(ii)	*Note 6*	*Note 8*	
Cash flows from operating activities				
Profit/(loss) before tax	199,761	(810,579)	7,017	(603,801)
Adjustments for:				
Share of results of associates	38,208		(37,331)	877
Loss on disposal of the Disposal Group	–	810,579		810,579
Finance costs	84,618		(69,898)	14,720
Interest income	(14,685)		14,617	(68)
Depreciation of right of use assets	4,960		(1,662)	3,298
Depreciation of property, plant and equipment	3,891		(215)	3,676
Impairment loss on interest in an associate	75,860		(75,860)	–
Impairment of loan and interest receivables	4,264			4,264
Impairment of other receivables	2,481		(2,481)	–
Gain on waiver of promissory note	(225,955)			(225,955)
Gain on forfeiture of non-refundable deposit	(24,000)			(24,000)
Written off of property, plant and equipment	19			19
Gain on a lease termination	(1,037)		1,037	–
Gain on disposals of property, plant and equipment	(130)			(130)
Operating loss before working capital changes	148,255			(16,521)
Change in inventories	18,920			18,920
Change in trade receivables and other receivables	78,842		(65,067)	13,775
Change in loans and interests receivables	4,468			4,468
Change in properties under development for sale and properties held for sales	432,479		(432,479)	–
Change in trade and other payables	(721,002)		720,107	(895)
Cash (used in)/generated from operations	(38,038)			19,747
Interests received	299		(231)	68
Tax paid	(29,810)		29,763	(47)
Net cash (used in)/generated from operating activities	(67,549)			19,768

	The Group for the year ended 30 June 2023	Pro forma adjustments for the Disposal		The Remaining Group for the year ended 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(ii)	*Note 6*	*Note 8*	
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,032)		4	(2,028)
Proceeds from disposal of property, plant and equipment	130			130
Advances to the Disposal Group	–		(19,368)	(19,368)
Repayments of advances from the Disposal Group	–		2,636	2,636
Change in amounts due from associates	28,832		(28,832)	–
Net cash outflow arising from disposal of the Disposal Group	–	(4,700)	(159,676)	(164,376)
Net cash generated from/(used in) investing activities	26,930			(183,006)
Cash flows from financing activities				
New borrowings	26,502		(5,639)	20,863
Repayment of borrowings	(87,353)		79,685	(7,668)
Repayment of shareholders loans	(8,000)			(8,000)
Repayment of lease liabilities	(5,607)		1,952	(3,655)
Interest paid	(9,092)		7,795	(1,297)
Net cash (used in)/generated from financing activities	(83,550)			243
Net decrease in cash and cash equivalents	(124,169)			(162,995)
Cash and cash equivalents at the beginning of the year	167,450			167,450
Effect of changes in foreign exchange rate	(1,854)		(2,349)	(4,203)
Cash and cash equivalents at the end of the year	41,427			252
Analysis of cash and cash equivalents				
Bank and cash balances	41,427	(4,700)	(36,475)	252

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

(1) (i) The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 31 December 2023 as set out in the published 2023/2024 interim report of the Company.

(ii) The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income, and the audited consolidated statement of cash flows of the Group for the year ended 30 June 2023 as set out in the published 2022/2023 annual report of the Company.

(2) The adjustment represents the exclusion of the assets and liabilities of the Disposal Group as at 31 December 2023 as if the Disposal had been completed on 31 December 2023.

(3) The adjustment represents the disposal of the Sale Loans pursuant to the terms and conditions of the Disposal Agreement.

(4) Assuming the Disposal had been completed on 31 December 2023, the adjustment represents the settlement of Consideration of HK$53,700,000 by offsetting the interest payable to the Shareholders's Loans as at the date of the Disposal Agreement, and recognised the gain on disposal which calculated as follows:.

Gain on disposal

	HK$'000
Net liabilities as at 31 December 2023 *(note 2)*	(440,468)
Less: Amount due to the Company *(note 3)*	176,165
Less: Non-controlling interest	251,395
Less: Cumulative exchange differences on translation of foreign operations reclassified from equity to profit or loss upon loss of control of the Disposal Group	54,076
Add: Estimated expenses for the Disposal	4,700
	45,868
Less: Consideration	53,700
Estimated pro forma gain on disposal as if the Disposal had been completed on 31 December 2023	7,832

(5) Pursuant to terms and conditions of the Disposal Agreement, upon Completion, the Purchaser will enter into a loan extension letter with the Company to extend the repayment dates of the principal of the Shareholder's Loans from 31 December 2024 to 31 December 2027 while all other terms of the Shareholder's Loans will remain unchanged. The adjustment represents the reclassification of the Shareholder's Loans from current liabilities to non-current liabilities.

(6) Assuming the disposal had been completed on 1 July 2022, the adjustment represents the settlement of Consideration of HK$53,700,000 by offsetting the interest payable to the Shareholder's Loans as at the date of the Disposal Agreement, and recognised the loss on disposal which calculated as follows:

Loss on disposal

	HK$'000
Net assets as at 1 July 2022	482,128
Less: Amount due to the Company *(Note 3)*	400,572
Less: Non-controlling interest	(25,610)
Less: Cumulative exchange differences on translation of foreign operations reclassified from equity to profit or loss upon loss of control of the subsidiaries	2,489
Add: Estimated expenses for the Disposal	4,700
	864,279
Less: Consideration	53,700
Estimated pro forma loss on disposal as if the Disposal had been completed on 1 July 2022	(810,579)

(7) The adjustment represents the exclusion of the operating results of the Disposal Group for the year ended 30 June 2023 as if the Disposal had been completed on 1 July 2022, the reconciliation between Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income is as follow:

	HK$'000	Adjustment (a)	*HK$'000*
Revenue	697,216		697,216
Cost of sales	(484,402)		(484,402)
Gross profit	212,814		212,814
Other income and other gains and losses	15,657		15,657
Selling and distribution expenses	(33,964)		(33,964)
Administrative and operating expenses	(15,954)		(15,954)
Profit from operations	178,553		178,553
Impairment loss on interest in an associate	(75,860)		(75,860)
Impairment of other receivables	(2,481)		(2,481)
Share of results of associates	(37,331)		(37,331)
Finance costs	(79,520)	9,622	(69,898)
Loss before tax	(16,639)		(7,017)
Income tax expense	(166,245)		(166,245)
Loss for the year	(182,884)		(173,262)
Attributable to:			
Owners of the Disposal Company	(146,267)	9,622	(136,645)
Non-controlling interests	(36,617)		(36,617)
	(182,884)		(173,262)

(a) The adjustment represents the exclusion of the interest expenses for advances from the Remaining Group during the year ended 30 June 2023.

(8) The adjustment represents the exclusion of the cash flows of the Disposal Group for the year ended 30 June 2023 as if the Disposal had been completed on 1 July 2022, the reconciliation between Unaudited Condensed Consolidated Statement of Cash Flows is as follow:

	HK$'000	Adjustment (a)	*HK$'000*
Cash flows from operating activities			
Loss before tax	(16,639)	9,622	(7,017)
Adjustments for:			
Share of results of associates	37,331		37,331
Finance costs	79,520	(9,622)	69,898
Interest income	(14,617)		(14,617)
Depreciation of property, plant and equipment	215		215
Depreciation of right-of-use assets	1,662		1,662
Impairment loss on interest in an associate	75,860		75,860
Impairment of other receivables	2,481		2,481
Gain on a lease termination	(1,037)		(1,037)
Operating loss before working capital changes	164,776		164,776
Change in trade and other receivables	65,067		65,067
Change in properties under development for sale and properties held for sales	432,479		432,479
Change in trade and other payables	(720,107)		(720,107)
Cash used in operations	(57,785)		(57,785)
Interests received	231		231
Tax paid	(29,763)		(29,763)
Net cash used in operating activities	(87,317)		(87,317)
Cash flows from investing activities			
Purchase of property, plant and equipment	(4)		(4)
Change in amounts due from associates	28,832		28,832
Net cash generated from investing activities	28,828		28,828
Cash flows from financing activities			
New borrowings	5,639		5,639
Repayment of borrowings	(79,685)		(79,685)
Advance from the Company	19,368		19,368
Repayments of advances from the Company	(2,636)		(2,636)
Repayment of lease liabilities	(1,952)		(1,952)
Interest paid	(7,795)		(7,795)
Net cash used in financing activities	(67,061)		(67,061)
Net decrease in cash and cash equivalents	(125,550)		(125,550)
Cash and cash equivalents at beginning of year	159,676		159,676
Effect of changes in foreign exchange rate	2,349		2,349
Cash and cash equivalents of the Disposal Group at the end of the year	36,475		36,475

(a) The adjustment represents the exclusion of interest expenses for the advances from the Remaining Group for the year ended 30 June 2023.

(9) The above adjustments are not expected to have a continuing effect on the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Remaining Group.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

28 June 2024

The Board of Directors
Zhongzheng International Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhongzheng International Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31 December 2023, the unaudited pro forma statement of profit or loss for the year ended 30 June 2023, the unaudited pro forma statement of cash flow for the year ended 30 June 2023 and related notes as set out on pages III-2 to III-10 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on page III-1.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 100% equity interest in Hong Kong Zhongzheng City Investment Limited on the Group's financial position as at 31 December 2023 as if the transaction had been taken place at 31 December 2023, and on the Group's financial performance and cash flows for the year ended 30 June 2023 as if the transaction had been taken place at 1 July 2022. As part of this process, information about the Group's financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 30 June 2023, on which an audit report has been published. Information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements as included in the interim report for the six months ended 31 December 2023, on which no review or audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with rule 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

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

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by rule 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with rule 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

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

The purpose of the unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 July 2022 and 31 December 2023 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to rule 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

A. SALE SHARES VALUATION REPORT

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular, received from Graval Consulting Limited, an independent valuer, in connection with its valuation as at 31 March 2024 of the Disposal Group.

Graval Consulting Limited
Suites 2401-02, 24/F,
Shui On Centre, 6-8 Harbour Road,
Wanchai, Hong Kong

28 June 2024

The Board of Directors
Zhongzheng International Company Limited
Room 1005, 10/F
BEA Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest in Hong Kong Zhongzheng City Investment Limited

In accordance with your instructions, we have conducted a valuation of the Market Value of 100% equity interest in the Disposal Company. The Disposal Company is an investment holding company established in the BVI with limited liability. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value as at the Valuation Date.

This report states the purpose of valuation, premise of value, company profile, sources of information, describes the investigation and analysis, methodology and assumptions of our valuation, limiting conditions, remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

Graval acknowledges that this report is being solely prepared for the directors and management of the Company for public documentation purpose and our valuation report will be appended in a public circular of the Company.

We must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2. PREMISE OF VALUE

Our valuation has been prepared in accordance with the IVS published by the International Valuation Standards Council and Rule 11 of the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Our valuation is conducted on a basis of Market Value.

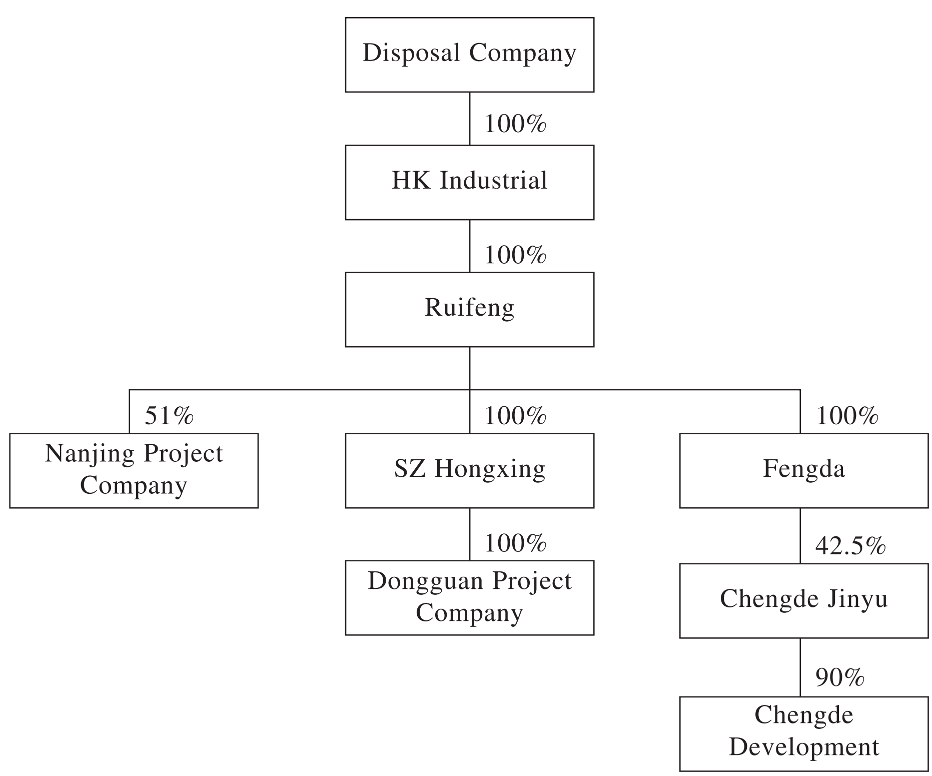
3. COMPANY PROFILE

3.1. Background of the Company

The Company, through its subsidiaries, is principally engaged in the manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

3.2. Background of the Disposal Company

The Disposal Company is an investment holding company incorporated in the British Virgin Islands. The simplified group structure chart of the Disposal Group is illustrated as follows:



The principal operating subsidiaries of the Disposal Group are engaged in property development in the PRC, namely the Dongguan Project and the Nanjing Project. The Disposal Company also holds a 42.5% equity interest in Chengde Jinyu, which in turn holds a 90% equity interest in Chengde Development. Chengde Development is principally engaged in primary land development in the Luanping County, Chengde City, the PRC, namely the Luanping Project.

3.3. Financial Information of the Disposal Company

The table below summarizes the book values of the assets and liabilities of the Disposal Company as at the Valuation Date:

Asset	**Book Value**
	(HK$'000)
Properties under development for sales	846,162
Properties held for sales	160,746
Interest in an associate	0
Amounts due from an associate	236,121
Trade and other receivables	108,492
Cash and bank balances	16,163
Other assets	718
Total assets	**1,368,402**

Liability	**Book Value**
	(HK$'000)
Borrowings	1,039,278
Amounts due to holding company	176,145
Trade and other payables	305,460
Contract liabilities	167,833
Current tax liabilities	135,898
Other liabilities	3,452
Total liabilities	**1,828,066**
Net assets/(liabilities)	**(459,664)**
Attributable to:	
– Owners of the Disposal Company	(202,649)
– Non-controlling interest	(257,015)

4. SOURCES OF INFORMATION

We relied on the following major documents and information in our valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, HKEX news, Bloomberg and Kroll, LLC.

The major documents and information include but not limited to the following:

- Company background and business description of the Disposal Group;
- Legal documentations of the principal operating subsidiaries of the Disposal Group and Chengde Jinyu;
- Announcement(s) and/or circular(s) made by the Company in relation to the Disposal Group;
- The Chengde Jinyu Valuation Report and the Property Valuation Report;
- Historical financial information of the Disposal Group including income statements and balance sheets; and
- Financial and economic data sourced from Bloomberg database.

In the course of our valuation, we had discussion with the Management on the industry and business development of the Disposal Group. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true, accurate and complete without independent verification except as expressly described herein. However, we consider that we have obtained adequate information from the sources described above to provide a reliable opinion of value.

We must emphasise that the realisation of the prospective financial information is dependent on the continuing validity of the assumptions on which it is based. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.

5. INVESTIGATION AND ANALYSIS

Our investigation includes our discussion with the Management in relation to the historical performance, prospect, industry and other relevant information of the Disposal Group. In addition, we have made relevant enquiries and obtained other public sources of financial and business information as we consider necessary for the purpose of this valuation.

The valuation requires consideration of all pertinent factors, which may affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Business nature and operations of the Disposal Group;
- Historical financial and operational information of the Disposal Group;
- Proposed business development of the Disposal Group;
- Nature and terms of the relevant agreements, contracts, licenses, permits and rights held by the Disposal Group;
- Regulations and rules of the relevant industries;
- Economic and industry data affecting the market and other dependent industries;
- Market-derived investment returns of similar businesses; and
- General economic outlook.

6. VALUATION METHODOLOGY

6.1. Valuation Approaches

There are three generally accepted valuation approaches, namely the market, cost and income approaches.

Market Approach

The market approach provides an indication of value by comparing a business entity with identical or comparable (that is similar) assets for which price information is available. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. The derived multiples (such as price-to-earnings, price-to-sales and price-to-book ratios) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for a business entity than the cost to obtain a business entity of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of a business entity and making deductions for physical deterioration and all other relevant forms of obsolescence.

From a valuation perspective, we will restate the values of all types of assets and liabilities of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

Income Approach

The income approach provides an indication of value by converting future cash flows to a single current value. Under the income approach, the value of a business entity is determined by reference to the value of income, cash flow or cost savings generated by the business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to the present value using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

6.2. Selection of Approach

To select the most appropriate approach, we have considered the purpose of this valuation and the resulting premise of value as well as the availability and reliability of information related to the Disposal Company to perform this analysis. We have also considered the relative advantages and disadvantages of each approach having regard to the nature and circumstances of the Disposal Company.

In this valuation, the income approach is inappropriate as this approach requires detailed operational information and long-term financial projections of the Disposal Company but such operational and financial forecasts with concrete business plan are not available from the Management. The market approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for our valuation. Given the fact that the Disposal Company is the holding company of a number of subsidiaries which possess material assets and liabilities relating and incidental to their respective businesses, we have solely relied on the cost approach in determining our opinion of value.

We have adopted summation method under the cost approach to obtain the aggregate Market Value of the assets and liabilities of the Disposal Company. Under the summation method, each asset and liability of the Disposal Company is being valued using the appropriate valuation approach, and our opinion of value is derived by adding the component assets and deducting the component liabilities.

The following table lists out the valuation approach adopted for each asset and liability regarding the Disposal Company:

Asset/Liability	Valuation Approach
Properties under development for sales	These refer to the property interests held by the Nanjing Project Company, being 14 land parcels with a total site area of approximately 239,666.29 sq.m. together with the construction works in progress thereon. Having considered the factors including the default of the Nanjing Project Company on the scheduled settlement of the bank loan which is secured by the property interests and the disposal of the bank loan as non-performing assets by the bank, the value for sale under repossession of RMB780.5 million (equivalent to approximately HK$846.2 million) as at the Valuation Date was adopted with reference to the Property Valuation Report.
Properties held for sales	These refer to the unsold property interests together with 1 residential unit and 1 commercial unit contracted for sale as at the Valuation Date but not yet completed held by the Dongguan Project Company. The unsold property interests include (i) 20 residential units; (ii) 71 commercial units; (iii) 110 car parking spaces held for sale; and (iv) the Leasehold Car Spaces. The Market Value of the unsold property interests (excluding the Leasehold Car Spaces) of RMB155.92 million (equivalent to approximately HK$169.0 million) as at the Valuation Date was adopted with reference to the Property Valuation Report. Although the Dongguan Project Company does not have the real estate ownership certificates over the Leasehold Car Spaces as at the Valuation Date, the Dongguan Project Company has the right to use and of right to income generated by the Leasehold Car Spaces, such that the investment value of the Leasehold Car Spaces of RMB12.24 million (equivalent to approximately HK$13.3 million) as at the Valuation Date was taken according to the Property Valuation Report. The Market Value of the 1 residential unit and 1 commercial unit contracted for sale as at the Valuation Date was based on the actual selling price of RMB2.63 million (equivalent to approximately HK$2.9 million).

Asset/Liability	Valuation Approach
	After considering the relevant tax applicable to sales of properties and selling expenses in the aggregate amount of approximately RMB22.5 million (equivalent to approximately HK$24.4 million), the Market Value of the properties held for sales as at the Valuation Date amounted to be approximately RMB148.3 million (equivalent to approximately HK$160.7 million).
Interest in an associate	This refers to the 42.5% indirect equity interest held by Ruifeng in Chengde Jinyu. With reference to the Chengde Jinyu Valuation Report, the 100% equity interest in Chengde Jinyu was of no commercial value as at the Valuation Date. Therefore, the 42.5% equity interest in Chengde Jinyu was also of no commercial value as at the Valuation Date.
Amounts due from an associate	These refer to the amounts due from the Chengde Jinyu Group and an expected credit loss assessment has been conducted to determine the recoverable amount. The expected recoverable amount was estimated by multiplying the total current assets held by the Chengde Jinyu Group by the ratio of the amounts due from the Chengde Jinyu Group to the total current liabilities of the Chengde Jinyu Group as at the Valuation Date. As at the Valuation Date, the Market Value of the total current assets (including trade receivables, prepayments, other receivables, contract costs, inventories, and cash and bank balances) held by the Chengde Jinyu Group amounted to approximately RMB1,879.1 million, with reference to the Chengde Jinyu Valuation Report. Based on the Chengde Jinyu Group's book, the amounts due from the Chengde Jinyu Group were approximately RMB280.1 million, while the total current liabilities of the Chengde Jinyu Group were approximately RMB2,416.3 million. Therefore, the recoverable amount was estimated at approximately RMB217.8 million (equivalent to approximately HK$236.1 million).

Asset/Liability	Valuation Approach
Trade and other receivables	These refer to deposits, prepayments and other receivables of the Disposal Group. Based on our investigation, they are mainly composed of (i) the prepayments by the Nanjing Project Company for construction work which shall be capitalized to properties under development upon completion; and (ii) the other receivables by the Nanjing Project Company which shall be offset against the other payables on its book. Therefore, we are of the view that no expected credit loss is needed and the Market Value approximated the book value of HK$108.5 million as at the Valuation Date.
Other assets	These items consist of cash and bank balances of approximately HK$16.2 million and other assets of approximately HK$0.7 million. In view of the nature of these assets, we are of the view that the Market Values approximated the book values as at the Valuation Date.
Other liabilities	These items include borrowings of approximately HK$1,039.3 million, amounts due to holding company of approximately HK$176.1 million, trade and other payables of HK$305.5 million, contract liabilities of HK$167.8 million, current tax liabilities of HK$135.9 million and other liabilities of HK$3.5 million. In view of the natures of these items, we are of the view that their Market Values approximated their book values as at the Valuation Date.

6.3. Summary of the Disposal Company

The table below summarizes the Market Values of the assets and liabilities held by the Disposal Company as at the Valuation Date:

Asset	**Market Value** *(HK$'000)*
Properties under development for sales	846,162
Properties held for sales	160,746
Interest in an associate	0
Amounts due from an associate	236,119
Trade and other receivables	108,492
Cash and bank balances	16,163
Other assets	718
Total assets	**1,368,400**

Liability	**Market Value** *(HK$'000)*
Borrowings	1,039,278
Amounts due to holding company	176,145
Trade and other payables	305,460
Contract liabilities	167,833
Current tax liabilities	135,898
Other liabilities	3,452
Total liabilities	**1,828,066**
Net assets/(liabilities)	**(459,666)**
Attributable to:	
– Owners of the Disposal Company	(202,651)
– Non-controlling interests	(257,015)

6.4. Valuation Conclusion

Based on the above, the Market Value of all the assets of the Disposal Group after subtracted by its aggregate liabilities under summation method amounted to a negative amount of approximately HK$459.7 million as at the Valuation Date. After considering the non-controlling interests, the equity value attributable to owners of the Disposal Company was in the negative of approximately HK$202.7 million as at the Valuation Date. As the attributable equity value to owners of the Disposal Company is a negative amount, we concluded that the 100% equity interest in the Disposal Company as at the Valuation Date was of no commercial value.

7. VALUATION ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions have been made in this valuation:

- The valuation was primarily based on the historical financial information up to the Valuation Date provided to us;
- The information made available to us by the Company is truthful, accurate and without any hidden or unexpected conditions associated with the Disposal Group that might adversely affect the reported values;
- Interest rates and exchange rates in the localities for the operations of the Disposal Group will not differ materially from those presently prevailing;
- The contractual parties of the relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;
- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the Disposal Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, technological, economic or financial conditions and taxation laws in the localities in which the Disposal Group operates or intends to operate, which would adversely affect the business of the Disposal Group.

8. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. No opinion is intended to be expressed for matters which require legal, audit or other specialised expertise, which is out of valuers' capacity.

In preparing this report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the truth and accuracy of such information. Our report was used as part of the analysis of the Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of our derived value rests solely with the Company.

Public industry and statistical information have been obtained from the sources that we deem to be reputable. However, we make no representation as to the accuracy and completeness of such information, and have accepted the information without any verification.

The Management has reviewed and agreed on the report, and confirmed the basis, assumptions, calculations and results are appropriate and reasonable. The use of and/or the validity of the report is subject to the terms of proposal and the full settlement of the fees and all the expenses.

We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported result. Further, we assume no responsibility for changes in market conditions, government policy or other events after the Valuation Date. We cannot provide assurance on the achievability of the results estimated by the Company and/or Disposal Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecast results is dependent on actions, plans and assumptions of the Management.

We have not investigated the title to or any legal liabilities of the Disposal Group and have assumed no responsibility for the title to the Disposal Group.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Company and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Actual transactions involving the valuation subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction, and the knowledge and motivation of the buyers and sellers at that time.

9. REMARKS

Our opinion of value is presented in HK$ unless otherwise stated. Based on the information provided by the Management, HK$1 was equivalent to RMB0.9224 as at the Valuation Date.

We hereby confirm that we have neither present nor prospective interests in the Disposal Group, the Company and their associated companies or the value reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the 100% equity interest in the Disposal Company as at the Valuation Date was of **no commercial value**.

Respectfully submitted,
For and on behalf of
GRAVAL CONSULTING LIMITED

Kelvin C.H. Chan, *CFA, FCCA, RICS Registered Valuer, MRICS*
Chairman

Analysed and reported by: **Terry S.W. Hui**, *CFA, FRM, MRICS*
Director

APPENDIX I – VALUER BIOGRAPHY

Kelvin C.H. Chan, *CFA, FCCA, RICS Registered Valuer, MRICS*
Chairman

Mr. Kelvin C.H. Chan is a Chartered Financial Analyst (CFA) Charterholder, a chartered member of the Royal Institution of Chartered Surveyors (RICS) and a fellow member of the Association of Chartered Certified Accountants (ACCA). He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

Terry S.W. Hui, *CFA, FRM, MRICS*
Director

Mr. Terry S.W. Hui holds the CFA designation, the Financial Risk Manager (FRM) designation and a membership of RICS. He has over 10-year experience in providing valuation and related advisory services to listed and private companies of different industries in China, Hong Kong and Singapore in connection with financial reporting and merger and acquisition.

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meaning:

"BVI"	British Virgin Islands
"Chengde Development"	承德中證城鄉開發有限公司 (Chengde Zhongzheng Urban and Rural Development Co., Ltd.)
"Chengde Jinyu Group"	Chengde Jinyu and its subsidiaries
"Chengde Jinyu Valuation Report"	A separate valuation report prepared for the Company in respect of 100% equity interest in Chengde Jinyu as at 31 March 2024 issued by Graval
"Chengde Jinyu"	承德中證金域投資開發有限公司 (Chengde Zhongzheng Jinyu Investment Development Co., Ltd.)
"Company"	Zhongzheng International Company Limited
"Disposal Company"	Hong Kong Zhongzheng City Investment Limited
"Disposal Group"	The Disposal Company and its subsidiaries
"Dongguan Project Company"	東莞禾信房地產開發有限公司 (Dongguan Hexin Real Estate Development Co., Ltd.)
"Dongguan Project"	The property development project by the Dongguan Project Company located in the north side of Guantai Avenue, Zhouxi Village, Nancheng District, Dongguan City, Guangdong Province, the PRC
"Fengda"	承德中證豐達建設開發有限公司 (Chengde Zhongzheng Fengda Construction Development Co., Ltd.)
"Graval"	Graval Consulting Limited
"HK Industrial"	Hong Kong Zhongzheng Industrial Development Limited
"HK$"	Hong Kong dollars
"IVS"	International Valuation Standards
"Leasehold Car Spaces"	68 car parking spaces without real estate ownership certificates under the Dongguan Project

"Luanping Project"	The primary land development project by Chengde Development in collaboration with the Luanping County People's Government in Hebei Province, the PRC
"Management"	Management of the Company, the Disposal Group and/or their representatives
"Market Value"	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
"Nanjing Project Company"	南京源鼎置業有限公司 (Nanjing Yuanding Real Estate Co., Ltd.)
"Nanjing Project"	The property development project by the Nanjing Project Company located in the south of Naishan, Tuanjie Village, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC
"PRC"	People's Republic of China
"Property Valuation Report"	A separate valuation report prepared for the Company in respect of the valuation of the Dongguan Project and the Nanjing Project as at 31 March 2024 issued by Graval
"RMB"	Renminbi
"Ruifeng"	深圳市中證瑞豐管理有限公司 (Shenzhen Zhongzheng Ruifeng Management Co., Ltd.)
"SZ Hongxing"	深圳市鴻興展業實業投資有限公司 (Shenzhen Hongxing Zhanye Industrial Investment Co., Ltd.)
"Valuation Date"	31 March 2024, being the date that this valuation applies

B. CHENGDE JINYU VALUATION REPORT

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular, received from Graval Consulting Limited, an independent valuer, in connection with its valuation as at 31 March 2024 of 100% equity interest in Chengde Jinyu.

Graval Consulting Limited
Suites 2401-02, 24/F,
Shui On Centre, 6-8 Harbour Road,
Wanchai, Hong Kong

28 June 2024

The Board of Directors
Zhongzheng International Company Limited
Room 1005, 10/F
BEA Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest in Chengde Zhongzheng Jinyu Investment Development Co., Ltd.

In accordance with your instructions, we have conducted a valuation of the Market Value of 100% equity interest in Chengde Jinyu. Chengde Jinyu is an investment holding company that owns 90% equity interest in Chengde Development, which is the project company of a primary land development project in collaboration with the Luanping Project in Hebei Province, the PRC. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value as at the Valuation Date.

This report states the purpose of valuation, premise of value, company profile, sources of information, describes the investigation and analysis, methodology and assumptions of our valuation, limiting conditions, remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

Graval acknowledges that this report is being solely prepared for the directors and management of the Company for public documentation purpose and our valuation report will be appended in a public circular of the Company.

We must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2. PREMISE OF VALUE

Our valuation has been prepared in accordance with the IVS published by the International Valuation Standards Council and Rule 11 of the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Our valuation is conducted on a basis of Market Value.

3. COMPANY PROFILE

3.1. Background of the Company

The Company, through its subsidiaries, is principally engaged in the manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

3.2. Background of Chengde Jinyu

Chengde Jinyu is an investment holding company. Save for its holding of 90% equity interest in Chengde Development, Chengde Jinyu does not have any other material assets.

3.3. Background of Chengde Development

Chengde Development is the project company of a primary land development project in collaboration with the Luanping County government in Hebei Province, the PRC.

Also, Chengde Development respectively owns 100%, 100% and 83.47% equity interests in three subsidiaries, namely Luanping Huayang, Luanping Huawei and Luanping Qianyang, as at the Valuation Date. Each of them holds property interests in the Luanping County with no other business operations. The property interests held by Luanping Huawei (i.e. 35 residential units and a commercial podium) are included in the contract costs of Chengde Development, while the three parcels of land held by Luanping Huayang and Luanping Qianyang refer to the inventories of Chengde Development.

The details of the land held by Luanping Huayang and Luanping Qianyang are as follows:

Real Estate Ownership Certificate	Grantee	Approximate Site Area (sq.m.)	Issue Date	Permitted Land Uses	Tenure Expiry Date
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No.0000006	Luanping Qianyang	45,450	4 January 2021	Commercial	10 December 2060
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No.0000205	Luanping Huayang	9,945	26 January 2021	Residential Commercial	20 January 2091 20 January 2061
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No. 0005572	Luanping Huayang	53,293	27 July 2021	Residential Commercial	24 January 2091 24 January 2061

3.4. Financial Information of Chengde Jinyu and Chengde Development

The tables below summarize the book values of the assets and liabilities of Chengde Jinyu and Chengde Development as at the Valuation Date:

Chengde Jinyu

Asset	**Book Value** *(RMB)*
Long-term equity investment	69,910,000
Other receivables	3,010,000
Cash and bank balances	702,450
Total assets	**73,622,450**

Liability	**Book Value** *(RMB)*
Amount due to related company	23,908,000
Total liabilities	**23,908,000**
Net assets/(liabilities)	**49,714,450**

Chengde Development

Asset	Book Value (RMB)
Property, plant and equipment	96,768
Trade receivables	210,322,376
Prepayments	84,413,940
Other receivables	21,628,723
Contract costs	1,660,955,549
Inventories	253,235,263
Cash and bank balances	86,198
Total assets	**2,230,738,817**

Liability	Book Value (RMB)
Trade and other payables	887,707,417
Borrowings	1,235,379,000
Amounts due to related companies	256,151,527
Current tax liabilities	13,148,677
Total liabilities	**2,392,386,621**
Net assets/(liabilities)	**(161,647,804)**

3.5. Background of the Luanping Project

The Luanping Project is titled "Two Towns and One River" (兩鎮一河), covering a total area of 426 sq. km. situating in Bakeshiying Town (巴克什營鎮), Hushiha Town (虎什哈鎮) and Chaohe River (潮河) in Luanping of Hebei. An area of 88 sq. km. in Bakeshiying Town is designated as the phase one development (首開區域). Luanping is at the northeast of Beijing surrounded by natural attraction such as hot spring and ski slope as well as a section of Great Wall. The Luanping Project intends to develop Luanping into both a smart city with commercial properties and a vacation destination that offers resort style residential properties, heritage protection, sightseeing and leisure functions.

The Economic Zone Management Office under the government of Luanping entered into the Luanping Agreement on 8 November 2016 upon the winning of the tender by Chengde Jinyu in 2016. Subsequently, Chengde Jinyu and Luanping County Construction Investment Group Co., Ltd. (灤平建設投資集團有限公司) formed Chengde Development to operate the Luanping Project according to the first supplementary agreement (補充協議(一)) signed by the Economic Zone Management Office and Chengde Development on 29 November 2016, in which Chengde Jinyu possesses 90% shareholding of Chengde Development. The Economic Zone Management Office and Chengde Development entered into the second supplementary agreement (補充協議(二)) on 10 June 2017 to further specify the terms and conditions with regard to the Luanping Project.

Following the publication of Article 87 promulgated by the Ministry of Finance and for compliance to Article 87, on 3 November 2017, the Economic Zone Management Office and Chengde Jinyu amended the Luanping Agreement. On the same date, the Economic Zone Management Office and Chengde Development also amended the first and second supplementary agreements. Key terms of the three amended agreements are translated and summarized as follows:

Project period	The Luanping Project should be fully completed in 15 years (from 8 November 2016 to 7 November 2031), while the phase one development should be completed in 8 years (from 8 November 2016 to 7 November 2024).
Source of funding for the payment to Chengde Development from the local government	The cost and return for the Luanping Project are included in the local government annual budget. Funding is sourced from any incremental income generated from the Luanping Project to the local government.
Payment to the service rendered by Chengde Development	1. Audited land cost plus 8% investment return 2. Audited cost of infrastructure construction plus 10% investment return 3. Audited planning and design fee plus 8% investment return 4. 4% on the audited fixed assets investment amount by enterprises referred by Chengde Development to the area of the Luanping Project 5. Sharing of not more than 75% of net proceeds of land sold after deduction of any relevant costs and financing charges on a regressive basis as set out in the second supplementary agreement

The sharing schedule is tabulated as follows:

Net Proceeds per mu of Land Sold	Percentage Entitled by Chengde Development
Below RMB500,000	75%
Above or equal to RMB500,000 but below RMB700,000	70%
Above or equal to RMB700,000 but below RMB900,000	65%
Above or equal to RMB900,000 but below RMB1.1 million	60%
Above or equal to RMB1.1 million but below RMB1.3 million	55%
Above or equal to RMB1.3 million but below RMB1.5 million	50%
Above or equal to RMB1.5 million but below RMB1.7 million	45%
Above or equal to RMB1.7 million but below RMB1.9 million	40%
Above or equal to RMB1.9 million but below RMB2.1 million	35%
Above or equal to RMB2.1 million but below RMB2.3 million	30%
Above or equal to RMB2.3 million	25%

According to the Cost Reimbursement Plan, after the completion of land sale, local government shall reimburse the budgeted amortized cost to the Land Reserve Centre, and the Land Reserve Centre will return the actual cost to Chengde Development from the sale proceeds. The Cost Reimbursement Plan lists out the budgeted amortized cost for land supply cost covering the 12,000 mu (1 mu = 666.67 m^2) of expected saleable area for phase one development. The key terms are summarized as follows:

Compensation for land and associated properties (土地及地上物補償費):	The total amount is budgeted to be approximately RMB3,756 million before consideration of 8% investment return to Chengde Development. Therefore, the budgeted cost-plus return for compensation for land and associated properties is approximately RMB338,000 per mu.
Land development fee (土地開發費)	The total amount is budgeted to be approximately RMB4,407 million. In particular, RMB4,387 million is for infrastructure construction and around RMB20 million is for planning and design, before consideration of 10% and 8% investment return to Chengde Development respectively. Therefore, the budgeted cost-plus return for land development fee is around RMB404,000 per mu.

The costs and return specified in the Cost Reimbursement Plan will be returned to Chengde Development under the following policies:

Compensation for land and associated properties:	It is based on the actual cost incurred. If the land reserved in the Land Reserve Centre is not fully supplied, the cost reimbursement is prorated according to the proportion of the land supplied to the budgeted total land supply area.
Land development fee	It is based on combination of the progress of infrastructure construction and the actual cost incurred. Prepayment for construction cannot exceed 70% of the amount of completed work prior to the completion of audit. The payment can only be fully settled after the completion of construction audit.
Other professional and administration expenses	These are specified expenses that can be reimbursed based on actual cost incurred, including land reserve management fee, mapping, evaluation and notary fees and other listed expenditures.

3.6. Updates about Chengde Development and the Luanping Project

Since commencement of the Luanping Project in 2016 and up to 27 June 2024, Chengde Development has developed land with an aggregate area of approximately 10,779 mu ("**CD Developed Land**"). However, to-date, not much of the CD Developed Land has been sold by the local government under government land auctions. By the end of 2018, approximately 449 mu of the CD Developed Land had been sold by the local government by auction. Subsequently in 2019, the local government suspended the operations of all property development projects in Luanping County, including the Luanping Project, to address certain ecological and environmental issues in the area and no land auctions were held for any CD Developed Land in the same year. The government had resumed some land auctions but the sale activities were severely affected and delayed due to the impact of the COVID-19 pandemic and challenges in the real estate market. In 2020, there was only 445 mu in total of CD Developed Land sold under government actions, of which 163 mu are now held by the Chengde Jinyu Group. Since 2021, except for 6 mu of land assigned to the government as allocated land for public utilities use in 2021, no CD Developed Land was successfully sold/put on for land auction by the government.

In 2022, the Luanping government has launched the EOD Project with the objective of developing the region for different facets of industries, hand in hand with ecological and environmental governance emphasis. It was noted that the tender of the EOD Project has been awarded to the China Railway Consortium on 3 January 2024. No detailed information about the implementation plan for the EOD Project is available to the Company yet, however, based on Chengde Development's preliminary understanding, the EOD Project would involve a significant portion of land developed by Chengde Development, but would be mainly for non-residential and non-commercial use. If the land developed by Chengde Development were to be used for the EOD Project, they may be sold in future land auctions at a price significantly lower than previously estimated based on residential and commercial usage under the Luanping Project. This being the case, on the other hand, there is currently no indication of future land auctions of the CD Developed Land by the Luanping government in the near term.

4. SOURCES OF INFORMATION

We relied on the following major documents and information in our valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, HKEX news, Moody's, Bloomberg and Kroll, LLC.

The major documents and information include but not limited to the following:

- Company background and business description of Chengde Jinyu and Chengde Development;
- Legal documentations of Chengde Jinyu and Chengde Development;
- Announcement(s) and/or circular(s) made by the Company in relation to Chengde Jinyu and Chengde Development;
- The Property Valuation Report;
- Tender announcement regarding the EOD Project awarded to the China Railway Consortium;
- Historical financial information of Chengde Jinyu and Chengde Development including income statements and balance sheets; and
- Financial and economic data sourced from Bloomberg.

In the course of our valuation, we had discussion with the Management on the industry and business development of Chengde Jinyu and Chengde Development. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true, accurate and complete without independent verification except as expressly described herein. However, we consider that we have obtained adequate information from the sources described above to provide a reliable opinion of value.

We must emphasise that the realisation of the prospective financial information is dependent on the continuing validity of the assumptions on which it is based. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.

5. INVESTIGATION AND ANALYSIS

Our investigation includes our discussion with the Management in relation to the historical performance, prospect, industry and other relevant information of Chengde Jinyu and Chengde Development. In addition, we have made relevant enquiries and obtained other public sources of financial and business information as we consider necessary for the purpose of this valuation.

The valuation requires consideration of all pertinent factors, which may affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Business nature and operations of Chengde Jinyu and Chengde Development;
- Historical financial and operational information of Chengde Jinyu and Chengde Development;
- Proposed business development of Chengde Jinyu and Chengde Development;
- Nature and terms of the relevant agreements, contracts, licenses, permits and rights held by Chengde Jinyu and Chengde Development;
- Regulations and rules of the relevant industries;
- Economic and industry data affecting the market and other dependent industries;
- Market-derived investment returns of similar businesses; and
- General economic outlook.

6. VALUATION METHODOLOGY

6.1. Valuation Approaches

There are three generally accepted valuation approaches, namely the market, cost and income approaches.

Market Approach

The market approach provides an indication of value by comparing a business entity with identical or comparable (that is similar) assets for which price information is available. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. The derived multiples (such as price-to-earnings, price-to-sales and price-to-book ratios) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for a business entity than the cost to obtain a business entity of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of a business entity and making deductions for physical deterioration and all other relevant forms of obsolescence.

From a valuation perspective, we will restate the values of all types of assets and liabilities of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

Income Approach

The income approach provides an indication of value by converting future cash flows to a single current value. Under the income approach, the value of a business entity is determined by reference to the value of income, cash flow or cost savings generated by the business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to the present value using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

6.2. Selection of Approach

To select the most appropriate approach, we have considered the purpose of this valuation and the resulting premise of value as well as the availability and reliability of information related to Chengde Jinyu and Chengde Development to perform this analysis. We have also considered the relative advantages and disadvantages of each approach having regard to the nature and circumstances of Chengde Jinyu and Chengde Development.

In this valuation, the income approach is inappropriate as this approach requires detailed operational information and long-term financial projections of Chengde Jinyu and Chengde Development under the EOD Project but such operational and financial forecasts with concrete business plan are not available from the Management, given the fact that no detailed information about the implementation plan for the EOD Project is available to the Management yet. The market approach is not appropriate as there are insufficient relevant comparable transactions to form a reliable basis for our valuation. On one hand, Chengde Jinyu is the holding company of Chengde Development. On the other hand, Chengde Development has minimal business operations since 2021 and its major assets such as contract costs, trade receivables and inventories are considered as representative of the equity value. We have therefore solely relied on the cost approach in determining our opinion of value.

We have adopted summation method under cost approach to obtain the aggregate Market Value of the assets and liabilities of Chengde Jinyu and Chengde Development. Under the summation method, each asset and liability of Chengde Jinyu and Chengde Development is being valued using the appropriate valuation approach, and our opinion of value is derived by adding the component assets and deducting the component liabilities.

The following tables list out the valuation approach adopted for each asset and liability regarding Chengde Jinyu and Chengde Development:

Chengde Jinyu

Asset/Liability	**Valuation Approach**
Long-term equity investment	It refers to the holding of 90% equity interest in Chengde Development by Chengde Jinyu. The Market Value of the equity interest in Chengde Development is estimated by summation method under cost approach disclosed below.
Other receivables	The Market Value was assessed by considering the underlying credit risk and time value of money. The details will be disclosed in the section 7.1.
Cash and bank balances	In view of the nature of this item, we are of the opinion that its Market Value approximated its book value as at the Valuation Date.
Amount due to related company	In view of the nature of this item, we are of the opinion that its Market Value approximated its book value as at the Valuation Date.

Chengde Development

Asset/Liability	Valuation Approach
Trade receivables and other receivables	The Market Values were assessed by considering the underlying credit risk and time value of money. The details will be disclosed in the section 7.1.
Contract costs	As advised by the Management, they refer to the compensation for land and associated properties and land development fee incurred by Chengde Development up to the Valuation Date. The property interests held by Luanping Huawei (i.e. 35 residential units and a commercial podium) are also accounted for in the contract costs. The Market Value of the contract costs was assessed based on the after-tax cost-plus return after considering the business risk and time value of money. The details will be disclosed in the section 7.2.
Prepayments	The Management advised that the prepayments represent the amounts paid to construction companies for work that has been completed, and they shall be offset against the corresponding trade payables on the book. Therefore, the book value of the prepayments was taken as the Market Value.
Inventories	The Market Value was made with reference to the Property Valuation Report, after considering the equity interests in Luanping Huayang (i.e. 100%) and Luanping Qianyang (i.e. 83.47%) held by Chengde Development. According to the Property Valuation Report, the Market Value of the inventories was stated as RMB156.1 million as at the Valuation Date, of which approximately RMB147.9 million is attributable to Chengde Development.
Other assets	The other assets include property, plant and equipment (which are office equipment, furniture and fixture) and cash and bank balances. In view of the nature of these assets, we are of the opinion that their market values approximated their book values as at the Valuation Date.
All liabilities	The liabilities are comprised of trade and other payables, borrowings, amounts due to related companies and current tax liabilities. In view of the nature of these liabilities, the Valuer has concluded that their Market Values approximated their book values as at the Valuation Date.

7. VALUATION ASSUMPTIONS

7.1. Trade Receivables and Other Receivables

Based on the information provided by the Management, the trade receivables mainly represent receivables from the local government which represent development costs of Chengde Development together with the return on development work and a share of net proceeds from the land sales by the local government, while the other receivables mainly represent receivables from the PRC government and certain individuals/business entities. The following tables illustrate the breakdowns and details of the trade receivables and other receivables as at the Valuation Date:

Chengde Jinyu

	Trade Receivables *(RMB)*	**Other Receivables** *(RMB)*
Amounts due from certain individuals	0	3,010,000

Chengde Development

	Trade Receivables *(RMB)*	**Other Receivables** *(RMB)*
Amounts due from the PRC government	210,322,376	20,825,028
Amounts due from certain individuals/business entities	0	803,696
Subtotal (rounded)	**210,322,376**	**21,628,723**

To arrive at their Market Values, the underlying credit risk and time value of money were considered in our calculation based on the following formula:

Market Value = Book value x (1 – Expected loss rate)/(1 + Discount rate)

The Market Values of the receivables due from the PRC government were estimated based on the following parameters:

Parameter	Input	Source	Note
Credit profile under Moody's	A1	Bloomberg	Sovereign rating of the PRC was adopted.
Expected loss rate	0.02%	Moody's	Average annual credit loss rate under A1 from 1983 to 2023 was adopted, sourced from the annual default study published by Moody's.
Discount rate	1.72%	Bloomberg	The PRC generic 1-year government bond yield was adopted since the receivables are classified as current assets by the Management with cash realization period of within 1 year.

The Market Values of the receivables due from certain individuals/business entities were estimated based on the following parameters:

Parameter	Input	Source	Note
Expected loss rate	0.99%	Moody's	Average annual credit loss rate of all rated issuers under Aaa to Caa-C from 1983 to 2023 was adopted, sourced from the annual default study published by Moody's. Since the financial information of the individuals/business entities was not available from the Management for credit analysis, a generic rate regarding all rated issuers was taken, given the fact that the Management did not expect a significant credit risk.
Discount rate	1.72%	Bloomberg	The PRC generic 1-year government bond yield was adopted since the receivables are classified as current assets by the Management with cash realization period of within 1 year.

Based on the above formula and parameters, the calculation details are shown as follows:

Chengde Jinyu

Other receivables

	Parameter	Unit	Formula	Input
a.	Book value of the other receivables due from certain individuals (rounded)	RMB million		3.0
b.	Expected loss rate of certain individuals			0.99%
c.	Discount rate			1.72%
d.	Market Value of the other receivables held by Chengde Jinyu (rounded)	RMB million	a x (1 – b)/(1 + c)	2.9

Chengde Development

Trade receivables

	Parameter	Unit	Formula	Input
a.	Book value of the trade receivables due from the PRC government (rounded)	RMB million		210.3
b.	Expected loss rate of the PRC government			0.02%
c.	Discount rate			1.72%
d.	Market Value of the trade receivables held by Chengde Development (rounded)	RMB million	a x (1 – b)/(1 + c)	206.7

Other receivables

	Parameter	Unit	Formula	Input
a.	Book value of the other receivables due from the PRC government (rounded)	RMB million		20.8
b.	Expected loss rate of the PRC government			0.02%
c.	Book value of the other receivables due from certain individuals/business entities (rounded)	RMB million		0.8
d.	Expected loss rate of certain individuals/business entities			0.99%
e.	Discount rate			1.72%
f.	Market Value of the other receivables held by Chengde Development (rounded)	RMB million	a x (1 – b)/(1 + e) + c x (1 – d)/(1 + e)	21.3

7.2. Contract Costs

The contract costs refer to the compensation for land and associated properties and land development fee incurred by Chengde Development up to the Valuation Date. Based on the Cost Reimbursement Plan, the payment to the service rendered by Chengde Development shall include audited land cost plus 8% investment return, audited cost of infrastructure construction plus 10% investment return, audited planning and design fee plus 8% investment return, 4% on the audited fixed assets investment amount by enterprises referred by Chengde Development to the area of the Luanping Project, and sharing of not more than 75% of net proceeds of land sold after deduction of any relevant costs and financing charges on a regressive basis, if applicable.

No detailed information about the implementation of the EOD Project is available yet. However, based on Chengde Development's preliminary understanding, the EOD Project would involve a significant portion of land developed by Chengde Development, but would be mainly for non-residential and non-commercial use. According to the database of the local government (i.e. 承德市公共資源交易中心), the 2023 historical selling prices of the land related to public utilities were below the sum of budgeted land cost, cost of infrastructure construction and planning and design fee. As such, it was expected that there would not be any sharing of net proceeds of land sold after deduction of any relevant costs and financing charges for Chengde Development.

Therefore, the Market Values of the contract costs were estimated based on the present value of after-tax cost-plus return for the compensation for land and associated properties and land development fee incurred by Chengde Development up to the Valuation Date, based on the following formula:

$$\text{Market Value} = \text{Cost x } (1 + \text{Investment return x } (1 - \text{Tax rate}))/(1 + \text{Discount rate})^{\text{Number of discount years}}$$

The Market Values of the contract costs were estimated based on the following parameters:

Parameter	Input	Source	Note
Cost for the compensation for land and associated properties	RMB635,174,753	Management	Data as at the Valuation Date
Cost for the land development fee	RMB1,025,780,796	Management	Data as at the Valuation Date
Tax rate	25.00%	Management	Corporate tax rate in the PRC
Total after-tax cost-plus return	RMB1,775,930,464	Cost Reimbursement Plan	The sum of the land cost plus after-tax 8% investment return, cost of infrastructure construction plus after-tax 10% investment return, planning and design fee plus after-tax 8% investment return
Discount rate	10.01%		The details will be disclosed in the section 7.2.1
Number of discount years	2.38		Mid-year discounting is adopted with the construction period of 5 years for the EOD Project since the announcement date of 3 January 2024

Based on the above formula and parameters, the calculation details are shown as follows:

	Parameter	Unit	Formula	Input
a.	Cost for the compensation for land and associated properties (rounded)	RMB million		635.2
b.	Cost for the land development fee (rounded)	RMB million		1,025.8
c.	Tax rate			25.00%
e.	Total after-tax cost-plus return (rounded)	RMB million	a x [1 + 8% x (1 – c)] + b x [1 + 10% x (1 – c)]	1,775.9
f.	Discount rate			10.01%
g.	Number of discount years			2.38
h.	Market Value of the contract costs (rounded)	RMB million	$e / (1 + f)^g$	1,415.1

7.2.1. Discount Rate

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. In this valuation, the discount rate applied to the contract costs of Chengde Development is the WACC. A more detailed discussion is presented in appendix I of this report.

In searching for the comparable companies, the selection criteria have been adopted as follows:

- Publicly listed with liquid market trading and sufficient information;
- Principal place of business based in the PRC; and
- Over half of the revenue generated from urban development.

As sourced from Bloomberg, on best effort basis, we obtained an exhaustive list of comparable companies based on the selection criteria as follows:

Company Name	Bloomberg Stock Code	Country of Risk	Revenue from Urban Development in the Latest Financial Year	Company Description
China New Town Development Company Limited	1278 HK	The PRC	57%	The company develops new towns in the PRC.
Tieling Newcity Investment Holding Group Limited	000809 CH	The PRC	74%	The company provides wetland development, wetland management, land development, and sewage treatment services. The company also conducts water supply, advertising, and car leasing businesses.
China Fortune Land Development Co., Ltd	600340 CH	The PRC	87%	The company develops industrial parks and industrial town projects. The company also provides related industrial solution services.

Key parameters and inputs as at the Valuation Date are shown below:

Parameter	Input	Source	Note
Risk-free rate	2.18%	Bloomberg	PRC generic 5-year government bond yield
Market risk premium	7.17%	Kroll, LLC	Historical equity risk premium in the United States
Relevered beta	0.9941	Bloomberg	Average beta of the comparable companies
Size premium	4.70%	Kroll, LLC	Size premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The size premium cannot be captured by the betas and debt-to-equity ratios of the comparable companies. We made reference to the CRSP decile size study sourced from Kroll, LLC, that analyzes the relationship between size premium and company size of 10 portfolios of companies based on market capitalization listed on the New York Stock Exchange, NYSE American and Nasdaq Stock Market. The results of the study illustrated that Chengde Development was classified as a company in decile 10 (i.e. smallest), implying a size premium of 4.70% based on the CRSP decile size study.
Country risk premium	1.03%	Damodaran Online	Country risk premium between the United States and the PRC
Specific risk premium	3.00%		To reflect the unsystematic risk regarding the fact that Chengde Development does not have the necessary working capital and refinancing for settlement of the overdue loans and resumption of the Luanping Project

Parameter	Input	Source	Note
Cost of equity	18.04%		
Debt-to-equity ratio	176.32%	Bloomberg	Average ratio of the comparable companies
Portion of equity value to enterprise value	36.19%		Estimated by one divided by the sum of one and debt-to-equity ratio
Portion of debt value to enterprise value	63.81%		Estimated by one minus portion of equity value to enterprise value
Corporate tax rate	25.00%	Management	Corporate tax rate in the PRC
Cost of debt	7.28%	Management	Actual borrowing rates of Chengde Development
After-tax cost of debt	5.46%		
WACC	10.01%		

7.3. Summary of Chengde Development

The table below summarizes the Market Values of the assets and liabilities held by Chengde Development as at the Valuation Date:

Asset	**Market Value** *(RMB)*
Property, plant and equipment	96,768
Trade receivables	206,724,692
Prepayments	84,413,940
Other receivables	21,251,140
Contract costs	1,415,109,282
Inventories	147,884,590
Cash and bank balances	86,198
Total assets	**1,875,566,610**

Liability	**Market Value** *(RMB)*
Trade and other payables	887,707,417
Borrowings	1,235,379,000
Amounts due to related companies	256,151,527
Current tax liabilities	13,148,677
Total liabilities	**2,392,386,621**
Net assets/(liabilities)	**(516,820,011)**

7.4. Summary of Chengde Jinyu

The table below summarizes the Market Values of the assets and liabilities held by Chengde Jinyu as at the Valuation Date:

Asset	**Market Value** *(RMB)*
Long-term equity investment	(465,138,010)
Other receivables	2,930,003
Cash and bank balances	702,450
Total assets	**(461,505,557)**

Liability	**Market Value** *(RMB)*
Amount due to related company	23,908,000
Total liabilities	**23,908,000**
Net assets/(liabilities)	**(485,413,557)**

7.5. Valuation Conclusion

Given the Market Value of the aggregate assets attributable to Chengde Jinyu subtracted by its aggregate attributable liabilities under summation method resulted in a negative amount of approximately RMB485.4 million as at the Valuation Date, we concluded that the 100% equity interest in Chengde Jinyu as at the Valuation Date was of no commercial value.

7.6. General Assumptions

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions have been made in this valuation:

- The valuation was primarily based on the historical financial information up to the Valuation Date provided to us;

- As advised by the Management, no auction has been carried out for the land developed by Chengde Development by the Luanping government since 2021 and Chengde Development has not been reimbursed by the government for the constructed infrastructure since 2022 and there is currently no indication of future land auctions of the CD Developed Land by the Luanping government in the near term. Since the Luanping Project has been suspended, Chengde Development was not able to obtain additional financing from other banks and financial institutions for resumption of the Luanping Project and refinancing of overdue loans;

- Given that Chengde Development does not have the necessary working capital and refinancing for settlement of the overdue loans and resumption of the Luanping Project, the Management expected that it would be difficult for the Luanping Project to proceed further based on the existing business model;

- The information made available to us by the Company is truthful, accurate and without any hidden or unexpected conditions associated with Chengde Jinyu and Chengde Development that might adversely affect the reported values;

- Interest rates and exchange rates in the localities for the operations of Chengde Jinyu and Chengde Development will not differ materially from those presently prevailing;

- The contractual parties of the relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where Chengde Jinyu and Chengde Development operate or intend to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, technological, economic or financial conditions and taxation laws in the localities in which Chengde Jinyu and Chengde Development operate or intend to operate, which would adversely affect the businesses of Chengde Jinyu and Chengde Development.

8. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. No opinion is intended to be expressed for matters which require legal, audit or other specialised expertise, which is out of valuers' capacity.

In preparing this report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the truth and accuracy of such information. Our report was used as part of the analysis of the Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of our derived value rests solely with the Company.

Public industry and statistical information have been obtained from the sources that we deem to be reputable. However, we make no representation as to the accuracy and completeness of such information, and have accepted the information without any verification.

The Management has reviewed and agreed on the report, and confirmed the basis, assumptions, calculations and results are appropriate and reasonable. The use of and/or the validity of the report is subject to the terms of proposal and the full settlement of the fees and all the expenses.

We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported result. Further, we assume no responsibility for changes in market conditions, government policy or other events after the Valuation Date. We cannot provide assurance on the achievability of the results estimated by the Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecast results is dependent on actions, plans and assumptions of the Management.

We have not investigated the title to or any legal liabilities of Chengde Jinyu and Chengde Development, and have assumed no responsibility for the title to Chengde Jinyu and Chengde Development.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Company and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Actual transactions involving the valuation subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction, and the knowledge and motivation of the buyers and sellers at that time.

9. REMARKS

Our opinion of value is presented in RMB unless otherwise stated.

We hereby confirm that we have neither present nor prospective interests in Chengde Jinyu, Chengde Development, the Company and their associated companies or the value reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the 100% equity interest in Chengde Jinyu as at the Valuation Date was of **no commercial value**.

Respectfully submitted,
For and on behalf of
GRAVAL CONSULTING LIMITED

Kelvin C.H. Chan, *CFA, FCCA, RICS Registered Valuer, MRICS*
Chairman

Analysed and reported by: **Terry S.W. Hui**, *CFA, FRM, MRICS*
Director

APPENDIX I – DISCOUNT RATE DERIVATION

WACC is comprised of two components, namely cost of debt and cost of equity. It is calculated taking the relative weights of each component of the capital structure. It is computed using the formula below:

WACC	=	$W_e \times R_e + W_d \times R_d \times (1 - T)$

R_e	=	cost of equity
R_d	=	cost of debt
W_e	=	portion of equity value to enterprise value
W_d	=	portion of debt value to enterprise value
T	=	corporate tax rate

The cost of equity is developed through the application of the CAPM with reference to the required rates of return demanded by investors for similar projects. The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as non-systematic. A major requirement in generating the cost of equity is to identify companies that are comparable to the business related to the subject in terms of business nature and associated risks.

The cost of equity for the business related to the subject is the sum of the risk-free rate return, the equity risk premium required by investors to compensate for the systematic risk assumed with adjustments for increment for risk differentials of the business related to the subject versus those of the comparable companies, if applicable, such as size premium and company-specific risk premium.

Re	=	$R_f + \beta \times R_m$ + Other risk premium
R_f	=	risk free rate
β	=	estimated beta
R_m	=	equity risk premium

APPENDIX II – VALUER BIOGRAPHY

Kelvin C.H. Chan, CFA, *FCCA, RICS Registered Valuer, MRICS*
Chairman

Mr. Kelvin C.H. Chan is a Chartered Financial Analyst (CFA) Charterholder, a chartered member of the Royal Institution of Chartered Surveyors (RICS) and a fellow member of the Association of Chartered Certified Accountants (ACCA). He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

Terry S.W. Hui, *CFA, FRM, MRICS*
Director

Mr. Terry S.W. Hui holds the CFA designation, the Financial Risk Manager (FRM) designation and a membership of RICS. He has over 10-year experience in providing valuation and related advisory services to listed and private companies of different industries in China, Hong Kong and Singapore in connection with financial reporting and merger and acquisition.

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meaning:

"CAPM"	Capital Asset Pricing Model
"Chengde Development"	承德中證城鄉開發有限公司 (Chengde Zhongzheng Urban and Rural Development Co., Ltd.)
"Chengde Jinyu"	承德中證金域投資開發有限公司 (Chengde Zhongzheng Jinyu Investment Development Co., Ltd.)
"Chengde Jinyu Group"	Chengde Jinyu and its subsidiaries
"China Railway Consortium"	A consortium led by China Railway 15th Bureau Group Co., Ltd. for the EOD Project
"Company"	Zhongzheng International Company Limited
"Cost Reimbursement Plan"	"兩鎮一河"專案首開區供地成本計算及成本返還方案 dated 8 November 2017
"COVID-19"	Coronavirus disease 2019
"CRSP"	The Center for Research in Security Prices, a leading provider of research-quality, historical market data and returns
"Economic Zone Management Office"	Chengde Jinshanling Ecological and Cultural Tourism Economic Zone Management Office (承德金山嶺生態文化旅遊經濟區管理處)
"EOD Project"	潮河流域(灤平段)生態治理與鄉村振興產業融合發展 (Chaohe River Basin (Luanping Section) Ecological Governance and Rural Revitalisation Integrated Development Project)
"Graval"	Graval Consulting Limited
"IVS"	International Valuation Standards
"Land Reserve Centre"	土地儲備中心
"Luanping Agreement"	灤平縣"兩鎮一河"新城鎮綜合開發項目政府採購協議 on 8 November 2016

"Luanping Huawei"	灤平華偉房地產開發有限公司 (Luanping Huawei Real Estate Development Co., Ltd.), a wholly-owned subsidiary of Chengde Development
"Luanping Huayang"	灤平華陽房地產開發有限公司 (Luanping Huayang Real Estate Development Co., Ltd.), a wholly-owned subsidiary of Chengde Development
"Luanping Project"	A primary land development project in collaboration with the Luanping County People's Government in Hebei Province, the PRC
"Luanping Qianyang"	灤平乾陽房地產開發有限公司 (Luanping Qianyang Real Estate Development Co., Ltd.), an 83.47% subsidiary of Chengde Development
"Management"	Management of the Company, Chengde Jinyu and/or their representatives
"Market Value"	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
"Moody's"	Moody's Investors Service, Inc.
"PRC"	People's Republic of China
"Property Valuation Report"	A separate report prepared for the Company in respect of the valuation of the three parcels of land held by Luanping Huayang and Luanping Qianyang as at 31 March 2024 issued by Graval
"RMB"	Renminbi
"Valuation Date"	31 March 2024, being the date that this valuation applies
"WACC"	Weighted Average Cost of Capital

C. PROPERTY VALUATION REPORT AS AT 31 DECEMBER 2023

The following is the text of letter and valuation report, prepared for the purpose of incorporation in this circular, received from Graval Consulting Limited, an independent property valuer, in connection with their valuation as at 31 December 2023 of the property interests held by the Group in the People's Republic of China

Graval Consulting Limited
Suites 2401-02, 24/F,
Shui On Centre, 6-8 Harbour Road,
Wanchai, Hong Kong

28 June 2024

The Board of Directors
Zhongzheng International Company Limited
Room 1005, 10/F,
BEA Harbour View Centre,
56 Gloucester Road,
Wan Chai, Hong Kong

Dear Sirs and Madams,

Re: Valuation of various properties located in the People's Republic of China

INSTRUCTIONS

We refer to your instruction for us to value the property interest (the "Properties") held by Hong Kong Zhongzheng City Investment Limited or its subsidiaries (together referred as "the Disposal Group") and Chengde Zhongzheng Jinyu Investment Development Co., Ltd. or its subsidiaries (together referred as the "Chengde Jinyu Group") located in the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in existing state as at 31 December 2023 (the "Valuation Date") for the purpose of incorporation into the circular issued by the Company on the date hereof.

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("Market Value") which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

For property no. 1, it comprises carparking space without Real Estate Ownership Certificates. We have ascribed no commercial value to these carparking spaces due to the absence of the Real Estate Ownership Certificates, hence they are not entitled to be transferred. For the Group's management reference, however, we are requested to separately assess the worth of these carparking spaces for investment purpose in their respective existing state on a non-market value basis. According to the Hong Kong Institute of Surveyors, investment value is defined as "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives." Investment value is an entity-specific basis of value that measures the value of the benefits of ownership to the current owner or to a prospective owner. It must be emphasized that the investment value is not market value.

For property no. 3, we have assessed our opinion of value for sale under repossession as further instructed by the instructing party. Our valuation represents our opinion of value for sale under repossession which we would refer to "price that might reasonably be expected to realise within a defined period of time (i.e. within three month) of the Valuation Date to the sale of a real property in the market under repossession by the lender or receiver, on a vacant possession basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise".

VALUATION METHODOLOGY(IES)

There are three generally accepted approaches to value, according to the HKIS Valuation Standard 2020 Edition, namely:

Market Approach

An approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

Income Approach

An approach that provides an indication of value by converting future cash flows to a single current capital value.

Cost Approach

An approach that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. Cost approach is commonly adopted when there is no sufficient market information.

In valuing the Properties except the carparking spaces without Real Estate Ownership Certificates in property no. 1, we have adopted the market approach as there are sufficient market information (such as transaction, listing, market research and news) of the similar assets. For property no.2, we have also adopted market approach based on the specified resettle selling price. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which the actual transaction price and/or the listing price is available. For the property still under construction, we have also taken into account the expended construction costs and the construction costs that will be expended to complete the developments to reflect the quality of the completed development. The income approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The cost approach was not adopted because the value of the property is determined based on the cost of construction and it does not consider the supply and demand of the market.

For the value for sale under repossession of property no. 3, it is assessed with reference to the percentage difference between actual judicial transaction price of a foreclosed property and the market value assessed by a qualified valuer appointed by the relevant judiciary.

For the investment value of carparking spaces without Real Estate Ownership Certificates in property no. 1, we have adopted the income approach due to its non-transferable nature but entitle to occupy and lease nature. Income approach is an approach that provides an indication of value by converting future cash flows to a single current capital value.

VALUATION STANDARDS

In valuing properties no. 1 and no. 3, we have adopted listing price as market comparables, which is in compliance with the HKIS Valuation Standard 2020 Edition.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors ("HKIS"), the RICS Valuation – Global Standards (Effective on 31 January 2022) published by the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards ("IVS") published by International Valuation Standards Council (IVSC) (Effective on 31 January 2022).

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing title to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, Beijing Zhong Lun (Shenzhen) Law Firm, concerning the validity of the title to the property interest located in the PRC.

AREA MEASUREMENT AND INSPECTION

Our Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MCIREA has inspected the Properties in April 2024. In the course of our inspections, we did not note any serious structural defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exits, unless noted in the valuation report.

VALUATION ASSUMPTION

Our valuations have been made on the assumption that the owner sells the Properties in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

All consents, approvals and license from relevant government authorities for the property interest have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interest and improvements are within the boundaries of the property interest described and that no encroachment or trespass exists, unless noted in the valuation report.

LIMITING CONDITIONS

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assured unless otherwise stated, defined and considered in the valuation report.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (RMB).

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith our summary of valuation together with the valuation report.

Yours faithfully,
For and on behalf of
Graval Consulting Limited
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA MHKIM
RICS Registered Valuer
Partner

Analysed and reported by: **Ivan K.H. Mak,** *CFA*
Assistant Manager

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 20 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Region. Lawrence joined Graval Consulting Limited in 2020.

Mr. Ivan Mak was graduated from The Hong Kong Polytechnic University who has over 10 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim. Ivan joined Graval Consulting Limited in 2020.

VALUATION SUMMARY

Group I – Properties held for sale

No.	Properties	Market Value in existing state as at 31 December 2023 *(RMB)*[Note 1]
1.	21 residential units and 72 commercial units and 178 carparking spaces (comprises 110 carparking spaces with Real Estate Ownership Certificates and 68 carparking spaces without Real Estate Ownership Certificates) of Zhongzheng Yunting located at No. 180 Guantai Road Nancheng Part, Nancheng Sub-district, Dongguan City, Guangdong Province, the PRC	159,520,000 (excluding the investment value of the 68 carparking spaces without Real Estate Ownership Certificates)[Note 2]
2.	35 residential units and 2 commercial units of Qinchun Xinju (Lot No. (2019) No. 19) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	17,600,000
Group II – Properties held for development		
3.	A construction site (Lot Nos. 23109900012, 23109900013, 23109900014, 320116011005GB00007, 320116011005GB00008, 320116011005GB00011, 320116010016GB00017, 320116011005GB00020, 320116011005GB00013, 320116011005GB00012, 320116010016GB00018, 320116011005GB00006, 320116011005GB00005 and 320116011005GB00009) of Quanyue Chunfengju located at Naishan, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC	1,117,000,000 (value for sale under repossession in existing state as at 31 December 2023 RMB781,900,000)
4.	3 parcels of land (Lot No. (2020) No. 32, 48 and 49) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	156,400,000
Total		**1,450,520,000**

Notes:

1. These represent the capital values in existing state of the properties (including the properties held for development).

2. The investment value of the 68 carparking spaces without real estate ownership certificates as at 31 December 2023 is RMB12,240,000.

VALUATION REPORT

Group I – Properties held for sale

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
1.	21 residential units and 72 commercial units and 178 carparking spaces of Zhongzheng Yunting located at No. 180 Guantai Road Nancheng Part, Nancheng Sub-district, Dongguan City, Guangdong Province, the PRC	This property comprises 21 residential units, 72 commercial units and 178 carparking spaces (comprises 110 carparking spaces with Real Estate Ownership Certificates and 68 carparking spaces without Real Estate Ownership Certificates) of a 25-storey (exclusive of 2-level basement) composite building completed in about 2022. The gross floor area of this property is approximately 7,010.13 sq. m.. (exclusive of 2-level basement with a total gross floor area of approximately 7,331.11 sq. m.) The land use rights of this property were granted for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use respectively.	This property was vacant as at the Valuation Date.	159,520,000 (excluding the investment value of the 68 carparking spaces without Real Estate Ownership Certificates) (See Notes 5, 7, 8 and 9)

Notes:

1. Pursuant to 21 Real Estate Ownership Certificates, the land use rights of 21 residential units of this property were granted to Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of 21 residential units of this property with a total gross floor area of approximately 2,050.89 sq. m. is vested in Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for residential use.

2. Pursuant to 72 Real Estate Ownership Certificates, the land use rights of 72 commercial units of this property were granted to Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of 72 commercial units of this property with a total gross floor area of approximately 4,959.24 sq. m. is vested in Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for commercial use.

3. Pursuant to a 110 Real Estate Ownership Certificates, the land use rights of 110 car parking spaces of this property were granted to Dongguan Hexin Real Estate Development Co., Ltd.*(東莞禾信房地產開發有限公司) for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of 110 car parking spaces of this property is vested in Dongguan Hexin Real Estate Development Co., Ltd.*(東莞禾信房地產開發有限公司) for car parking use.

4. This property is situated at the junction of Guantai Avenue and Huancheng Road West in Nancheng, buildings in the locality are medium to high-rise residential/commercial buildings. Dongguan Rail Transit Hadi Station and Humen Railway Station are about 10-minute and 30-minute driving distance from this property respectively. Rail transit, taxis and buses are accessible to this property.

5. As advised by the Company, this property comprises 68 carparking spaces without Real Estate Ownership Certificates. We have ascribed no commercial value to these carparking spaces due to the absence of the Real Estate Ownership Certificates, hence they are not entitled to be transferred. For the Group's management reference, however, we are requested to separately assess the worth of these carparking spaces for investment purpose in their respective existing state on a non-market value basis. According to the Hong Kong Institute of Surveyors, investment value is defined as "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives." Investment value is an entity-specific basis of value that measures the value of the benefits of ownership to the current owner or to a prospective owner. It must be emphasized that the investment value is not market value. In valuing the investment value of these car parking spaces, we have adopted the income approach due to its non-transferable nature but entitle to occupy and lease nature. Detail of car parking space rental comparables are listed in Note 6. The investment value of these carparking spaces as at the Valuation Date is RMB12,240,000.

6. In Dongguan City, the government authority with oversight over land and property transactions is the Dongguan Municipal Housing and Urban-Rural Development Bureau* (東莞市住房和城鄉建設局) (the "Dongguan Housing Bureau"). We have exhausted our efforts in identifying/searching for historical transaction records for properties of similar type to this property in Dongguan City by making in-person enquiry with the Dongguan Housing Bureau and reviewing its website (https://zjj.dg.gov.cn/), and noted that no such information is available to the public. Besides, according to our experience in various cities in the PRC, no historical property transaction records (except for land transactions) are available to the public. As such, we have identified and analysed the listing prices (which are available to the public) of comparables properties that have similar characteristics as this property, and adopted such listing prices in valuing this property using the market approach which is a common industry practice. Based on the above, we consider that the adoption of market approach based on the listing price of comparable properties is fair and reasonable.

The listing comparables were gathered on 11 April 2024 (the "**Date of Research**") in order of listing date from the newest to the oldest. The comparables selected were based on the selection criteria as shown in the comparable tables below according to the type of property. As this property is a new development/ first hand property, we first searched for first hand property listing comparables within a time frame ranging from six to twelve months from the Date of Research depending on the property type. If there are insufficient first hand listing comparables to form a sufficient basis for our assessment, we will continue to search for second hand property listing comparables. After the listing comparables were identified, we have conducted enquiries with local developer/real estate brokers confirming that (i) the listing comparables were listed and available for sale as at the Valuation Date; and (ii) the listing prices/rents were effective on the Valuation Date. We have selected comparables starting from the listings in the most recent month from the Date of Research and extending monthly until sufficient comparables (at least 3) were obtained. In the event that there were more than one comparable in the same month, all such comparables were taken. Notwithstanding the date of latest update of the listing comparables may be subsequent to the Valuation Date, given that we have obtained the abovesaid confirmation from local developer/ real estate brokers, the listing comparables represent relevant market information as at the Valuation Date. Therefore, the date of latest update of the listing comparables and the Date of Research has no bearing on the validity of the said information as at the Valuation Date.

Based on the selection criteria shown in the comparables tables, comparables selected are exhaustive. The unit rate is calculated by dividing listing price by gross floor area of these comparables. In addition to adjustment of discount to listing price, adjustments are also made to reflect the differences in various aspects between the comparables and the subject property, including time and location to arrive at the adjusted unit rates. The general basis of adjustment is that if the comparable property is superior to the subject property, a downward adjustment is made, vice versa.

Adjustment factors

Time: Time adjustments reflect differences in market conditions between the valuation date and the dates of comparables. As we have confirmed with local developer/ real estate brokers that the listing comparables were listed and available for sale, and the listing prices/ rents were effective, both as at the Valuation Date, there is no time adjustment necessary for the listing comparables.

Location: Location is adjusted based on the surroundings and accessibility of this property and comparables.

Size: In general, the unit rate of a property with a small area is higher than that of a property with a large area and vice versa.

Discount to listing price: Listing prices of second-hand properties are typically subject to negotiation and do not necessarily represent the actual transacted prices. As such, adjustment has been made to the listing prices of second-hand comparable properties. In the absence of publicly available historical transaction records as mentioned above, we are unable to analyse the differences between listing prices and actual transacted prices of historical second-hand property transactions. We have made enquiries with the local real estate brokers and was given to understand that the listing prices of the above second-hand comparable properties are negotiable to a small degree, say about 5%. Based on the above and our understanding of the prevailing market condition, we have adopted a downward adjustment of 5% as discount to listing price. No adjustment has been made to the listing prices of new developments/first-hand comparable properties because there are typically not much room for negotiation for such properties.

Decoration: Residential apartment and commercial apartment are decorated with fixtures and/or fittings. No adjustment is made to comparables with decoration and an upward adjustment is made to comparables without decoration. This adjustment factor is not applicable to commercial units and car parking spaces as no decoration is included for these property types.

Details of the comparable properties and adjustments are as follows.

In respect of residential units (decoration included)

	Comparable 1	**Comparable 2**	**Comparable 3**
Address	Wanjiang Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Houjie Town, Dongguan City
Usage	Residential	Residential	Residential
Gross floor area *(sq. m.)*	95	97.8	107
Date of latest update of listing prior to Date of Research	Feb 2024	Apr 2024	Mar 2024
Listing price *(RMB)*	2,500,000	2,640,000	3,050,000
Listing price unit rate *(RMB/sq. m.)*	26,316	26,994	28,505
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar urban area and accessibility as subject property* (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Similar urban area and accessibility as subject property* (nil adjustment)*
Size #	*Upward adjustment*	*Upward adjustment*	*Upward adjustment*
Decoration	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*
Total adjustment (rounded)	0.01%	0.04%	0.13%
Adjusted unit rate *(RMB/sq. m.)*	26,319	27,005	28,543
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**27,000**		
Gross floor area of residential units *(sq. m.)*	2,050.89		
Market value of the residential units *(RMB)*	**55,270,000**		

* As the subject property and comparables are located in the urban area of Dongguan City accessed by Dongguan Rail Transit, we considered they are located in the similar locality.

Reference gross floor area: 94 sq. m., being the gross floor area of the most common unit type of residential units of the subject property.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within February 2024 to April 2024.

In respect of Level 1 commercial units

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**
Address	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City
Usage	Commercial	Commercial	Commercial	Commercial
Gross floor area *(sq. m.)*	1,700	93	2,248	450
Date of latest update of listing prior to Date of Research	Jan 2024	Jan 2024	Jan 2024	Mar 2024
Listing price *(RMB)*	36,000,000	1,880,000	42,000,000	7,200,000
Listing price unit rate *(RMB/sq. m.)*	21,176	20,215	18,683	16,000
Adjustments to listing price unit rate:				
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*
Size #	*Upward adjustment*	*Downward adjustment*	*Upward adjustment*	*Downward adjustment*
Total adjustment (rounded)	-2.0%	-6.0%	-0.6%	-5.1%
Adjusted unit rate *(RMB/sq. m.)*	20,762	19,007	18,574	15,187
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**17,300**			
Gross floor area of Level 1 commercial unit *(sq. m.)*	482.61			
Market value of the Level 1 commercial units *(RMB)*	**8,350,000**			

Reference gross floor area: 483 sq. m., being the total gross floor area of the Level 1 commercial units assuming they can be sold together in one lot.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within January 2024 to March 2024.

In respect of Level 2-3 commercial units (decoration included)

	Comparable 1	Comparable 2	Comparable 3
Address	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Wanjiang Subdistrict, Dongguan City
Usage	Commercial apartment	Commercial apartment	Commercial apartment
Gross floor area *(sq. m.)*	83.24	48	31
Date of latest update of listing prior to Date of Research	Jan 2024	Dec 2023	Feb 2024
Listing price *(RMB)*	1,498,320	1,104,000	390,000
Listing price unit rate *(RMB/sq. m.)*	18,000	23,000	12,581
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Similar urban area and similar accessibility as subject property* (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Downward adjustment*
Decoration	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*
Total adjustment (rounded)	0.1%	-0.2%	-0.4%
Adjusted unit rate *(RMB/sq. m.)*	18,026	22,952	12,533
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**17,000**		
Gross floor area of Level 2-3 commercial unit *(sq. m.)*	4,476.63		
Market value of the Level 2-3 commercial units *(RMB)*	**76,100,000**		

* The subject property and comparables are located in the urban area of Dongguan City accessed by Dongguan Rail Transit, we considered they are located in the similar locality.

Reference gross floor area: 69 sq. m., being the gross floor area of the most common unit type of commercial apartments of the subject property.

As advised by the Company, Level 2 and Level 3 will be commercial apartment and hence we have adopted commercial apartment comparables.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within December 2023 to February 2024

In respect of 110 car parking spaces with Real Estate Ownership Certificates

	Comparable 1	**Comparable 2**	**Comparable 3**
Address	Guancheng Subdistrict, Dongguan City	Humen Town, Dongguan City	Wanjiang Subdistrict, Dongguan City
Usage	Car Parking Space	Car Parking Space	Car Parking Space
Date of latest update of listing prior to Date of Research	Jan 2024	Jan 2024	Nov 2023
Listing price *(RMB)*	210,000	220,000	160,000
Adjustments to listing price unit rate:			
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar urban area and accessibility as subject property* (nil adjustment)*	*Similar urban area and accessibility as subject property * (nil adjustment)*	*Similar urban area and accessibility as subject property* (nil adjustment)*
Total adjustment (rounded)	–5%	–5%	–5%
Adopted unit rate *(RMB/car parking space)*	199,500	209,000	152,000
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**180,000**		
Market value of the 110 car parking space *(RMB)*	**19,800,000**		

Comparables selection criteria:

* The subject property and comparables are located in the urban area of Dongguan City accessed by Dongguan Rail Transit, we considered they are located in the similar locality.

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within November 2023 to January 2024

In respect of 68 car parking spaces without Real Estate Ownership Certificates

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**
Address	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City
Usage	Car parking space	Car parking space	Car parking space	Car parking space
Date of latest update of listing prior to Date of Research	Apr 2024	Mar 2024	Mar 2024	Mar 2024
Listing monthly rent *(RMB)*	500	320	550	400
Adjustments to listing monthly rent:				
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*
Total adjustment (rounded)	–5%	–5%	–5%	–5%
Adjusted unit rent *(RMB/car parking space)*	475	304	523	380
Adopted unit rent for the subject property with reference to the average of the adjusted unit rent of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**400**			
Annual rent of 68 car parking space	326,400			
Adopted yield	2.667%			
Investment value of the 68 car parking space *(RMB)*	**12,240,000**			

Adopted yield of the car parking space is equal to the adopted unit rent of 68 car parking spaces of RMB400 multiply by 12 and divided by the market value of the car parking space (with Real Estate Ownership Certificate) of RMB180,000.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for rent as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within March 2024 to April 2024

7. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

(a) Dongguan Hexin Real Estate Development Co., Ltd is the current registered owner of this property and is entitled to occupy, transfer, lease and mortgage this property except those stated in Note 7(c) and 7(e);

(b) this property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of this property except those stated in Note 7(c) and 7(e);

(c) 4 residential units with a total gross floor area of approximately of 368.76 sq. m. is subject to freezing order made by the court in respect of a dispute over a loan in the principal amount of RMB10 million. An arbitral award was issued and being enforced, and the units are currently under judicial auction process for repayment of the loan and default charges and those unit cannot be transferred and mortgaged;

(d) If the freezing order is discharged, the registered owner of this property is entitled to occupy, transfer, lease and mortgage this property;

(e) 13 residential units with a total gross floor area of approximately of 1,309.12 sq. m. and 67 commercial units with a total gross floor area of approximately of 4,720.90 sq. m. are subject to mortgage. If those units are transferred, the mortgagee must be notified. According to regulations, the mortgagee who may damage the mortgage rights if the mortgaged property is transferred may require the mortgagor to use the proceeds from the transfer to pay off the debt in advance;

(f) In addition to 7(e) above, as advised by the Company, unit 2004 of Block 1 is not subject to a mortgage as at the Valuation Date and unit 311 of Block 1 is subject to a mortgage as at the Valuation Date. The Company's PRC legal adviser could not conduct relevant searches on the mortgage status of these two residential units as at the Valuation Date, since these two properties have been sold as at the date of the legal opinion. As such, unit 311 is not included in the number of mortgaged units as stated in note 7(e) above;

(g) Dongguan Hexin Real Estate Development Co., Ltd is the current registered owner of the 68 car parking spaces without Real Estate Ownership Certificates and is entitled to occupy and lease but not entitled to transfer and mortgage of those 68 carparking spaces; and

(h) the following legal documents were obtained (except for 68 car parking spaces):

i.	Real Estate Ownership Certificate	Yes

8. In the course of our valuation, we have been aware of the freezing order stated in Note 7(c), however, no allowance has been made for any damage or loss to the legal title of this property in respect of the freezing order.

9. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

10. In the course of our valuation, we have assessed the market value of the Properties according to the HKIS Valuation Standards 2020 Edition 5.3.15 "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." Hence, the freezing order is not considered in our valuation. Encumbrances such as mortgage or freezing order is a type of title defect related to legal issue. We are unable to quantify the legal effect on the property and hence we are unable to comment whether encumbrances such as freezing order may or may not materially affect the valuation amount. As such, according to the HKIS Valuation Standards 2020 Edition, we may only assess the market value of a property disregarding any encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
2.	35 residential units and 2 commercial units of Qinchun Xinju (Lot No. (2019) No.19) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	This property comprises 35 residential units and 2 commercial units of a 6 blocks of 11-storey residential building completed in about 2021. The total gross floor area of this property is approximately 4,621.87 sq. m.. The land use rights of this property were granted for a term expiring on 17 December 2089 for residential use and 17 December 2059 for commercial use.	This property was vacant as at the Valuation Date.	17,600,000

Notes:

1. Pursuant to 3 Real Estate Ownership Certificates Ji (2019) Luan Ping Xian Bu Dong Chan Quan No. 0002352, this property with a total site area of approximately 32,411 sq. m. were granted to Luanping Huawei Real Estate Development Co., Ltd.* (灤平華偉房地產開發有限公司), a subsidiary of the Group for a term with the expiry date on 17 December 2089 for residential use and 17 December 2059 for commercial use.

2. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c1130824-2019-23) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Huawei Real Estate Development Co., Ltd. (Party B) dated 18 December 2019, the land use rights of this property with a total site area of approximately 32,411 sq. m. were granted from Party A to Party B for a term of 70 years for residential use and 40 years for commercial uses for a consideration of RMB16,540,000. The unit after completion can only be sold at RMB3,800 per sq. m.. The salient terms related to the development conditions of this property are as below:

Total gross floor area	:	Not more than approximately 42,134.30 sq. m.
Plot ratio	:	Not more than 1.3
Site coverage	:	Not more than to 30%
Building height	:	Not higher than 36 meters
Greenery ratio	:	Not less than 30%
Selling price	:	RMB3,800 per sq. m.

3. This property is situated at Bakeshiying Town in Luanping County, buildings in the locality are low to medium-rise residential buildings. Gubeikou Railway Station and Beijing Capital International Airport are about 20-minute and 2-hour driving distance from this property respectively. Taxis and buses are accessible to this property.

4. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) Luanping Huawei Real Estate Development Co., Ltd. is the current registered owner of this property and are entitled to occupy, transfer, lease and mortgage this property except those stated in 4(b);

   (b) This property is subject to mortgage. If this property is transferred, the mortgagee must be notified. According to regulations, the mortgagee who may damage the mortgage rights if the mortgaged property is transferred may require the mortgagor to use the proceeds from the transfer to pay off the debt in advance;

   (c) This property is subject to the constraint stated in the State Owned Construction Land Use Rights Grant Contract that all the units are used for resettlement with the specified resettle selling price RMB3,800 per sq. m.; and

   (d) the following legal documents were obtained:

i.	Real Estate Ownership Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes

5. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

6. Market Value of this property is calculated by the specified resettle selling price RMB3,800 per sq. m. multiply by 4,621.87 sq. m. which equal to RMB17,600,000.

VALUATION REPORT

Group II – Properties held for development

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
3.	A construction site (Lot Nos. 23109900012, 23109900013, 23109900014, 320116011005GB00007, 320116011005GB00008, 320116011005GB00011, 320116010016GB00017, 320116011005GB00020, 320116011005GB00013, 320116011005GB00012, 320116010016GB00018, 320116011005GB00006, 320116011005GB00005 and 320116011005GB00009) of Quanyue Chunfengju located at Naishan, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC	This property comprises 14 land parcels with a total site area of approximately 239,666.29 sq. m. together with the construction works in progress thereon. As advised by the Company, this property will be developed into a low-rise comprehensive development with a total estimated gross floor area of approximately 258,581.56 sq. m. (exclusive of basement with a total gross floor area of approximately 81,665.8 sq. m.). This property is expected to be completed in 2025. The land use rights of this property were granted for various terms with the latest expiry date on 23 October 2083 for residential and commercial uses.	This property was under construction as at the Valuation Date.	1,117,000,000 (See on Notes 11, 13 and 14) **Value for sale under repossession in existing state as at 31 December 2023** *RMB* 781,900,000 (See on Notes 9 and 10)

Notes:

1. Pursuant to 14 State Owned Land Use Rights Certificates, the land use rights of this property with a total site area of approximately 239,666.29 sq. m. were granted to Nanjing Yuanding Real Estate Co., Ltd.* (南京源鼎置業有限公司) for various terms with the latest expiry date on 23 October 2083 for residential and commercial uses. The details are as follows:

State Owned Land Use Rights Certificates	Approximate site area	Issuing Dates	Permitted land uses	Tenure expiry dates
(Document Nos.)	*(sq. m.)*			
Ning Liu Guo Yong (2010) No. 00868	32,596.70	31 March 2010	mixed residential	25 March 2080
Ning Liu Guo Yong (2010) No. 00869	11,549.90		commercial and finance	25 March 2050
Ning Liu Guo Yong (2010) No. 00870	4,102.60			
Ning Liu Guo Yong (2014) No. 14210	23,380.00	10 September 2014	mixed residential	residential: 23 October 2083 commercial: 23 October 2053
Ning Liu Guo Yong (2014) No. 14211	8,934.08			
Ning Liu Guo Yong (2014) No. 14212	4,097.06			
Ning Liu Guo Yong (2014) No. 14214	17,404.44			
Ning Liu Guo Yong (2014) No. 14215	18,403.27			

State Owned Land Use Rights Certificates	Approximate site area	Issuing Dates	Permitted land uses	Tenure expiry dates
Ning Liu Guo Yong (2014) No. 14320	13,796.49	12 September 2014	mixed residential	residential: 23 October 2083 commercial: 23 October 2053
Ning Liu Guo Yong (2014) No. 14399	33,374.01			
Ning Liu Guo Yong (2014) No. 14400	20,900.45	11 September 2014		
Ning Liu Guo Yong (2014) No. 14419	15,952.58	15 September 2014		
Ning Liu Guo Yong (2014) No. 14420	9,029.03			
Ning Liu Guo Yong (2014) No. 14421	26,145.68			
Total	**239,666.29**			

2. Pursuant to a State Owned Land Use Rights Grant Contract entered into between the State Owned Land Resource Bureau (Liuhe Branch), Nanjing City, Jiangsu Province (Party A) and Nanjing Yuanding Real Estate Co., Ltd. (Party B) dated 18 January 2010, the land use rights of 3 land parcels of this property with a total site area of approximately 48,249.2 sq. m. were granted from Party A to Party B for terms of 70 years and 40 years for residential and commercial uses respectively. The salient terms related to the development conditions of this property are as below:

		Land parcel 1	**Land parcel 2**	**Land parcel 3**
Land use	:	Residential	Commercial and finance	Commercial and finance
Plot ratio	:	Less than or equal to 0.75	Less than or equal to 1.5	Less than or equal to 1.5
Site coverage	:	Less than or equal to 20%	Less than or equal to 35%	Less than or equal to 35%
Greenery ratio	:	Not less than 50%	Not less than 30%	Not less than 30%
Building height	:	Not higher than 12 meters	Not higher than 18 meters	Not higher than 18 meters

3. Pursuant to a State Owned Land Use Rights Grant Contract entered into between the State Owned Land Resource Bureau (Liuhe Branch), Nanjing City, Jiangsu Province (Party A) and Nanjing Yuanding Real Estate Co., Ltd. (Party B) dated 29 July 2011, the land use rights of the remaining 11 land parcels of this property with a total site area of approximately 191,417.09 sq. m. were granted from Party A to Party B for terms of 70 years and 40 years for residential and commercial uses respectively. The salient terms related to the development conditions of this property are as below:

Land use	:	Residential except detached house
Plot ratio	:	More than 1 and less than or equal to 1.1
Site coverage	:	Less than or equal to 35%
Building height	:	Not higher than 12 meters
Greenery ratio	:	Not less than 30%

4. This property is situated at Naishan in Liuhe District of Nanjing City, buildings in the locality are low to medium-rise residential/commercial buildings. Nanjing Liuhe Railway Station and Nanjing Lukou International Airport are about 30-minute and 1-hour driving distance from this property respectively. Taxis and buses are accessible to this property.

5. According to the development proposal provided by the Company, the proposed development (the "Proposed Development") will comprise low-rise comprehensive development, which consists of residential, commercial and hotel apartment/service apartment developments with a total estimated gross floor area of approximately 258,581.56 sq. m. (exclusive of basement with a total gross floor area of approximately 81,665.8 sq. m.).

6. According to information provided by the Company, the incurred construction cost of this property (excluding the land cost) as at the Valuation Date is approximately RMB841,000,000.

7. The market value of this property after completion of the development according to the development proposal provided by the Company as at the Valuation Date is approximately RMB3,405,600,000.

8. In Nanjing City, the government authority with oversight over land and property transactions is the Nanjing Housing Security and Property Bureau* (南京市住房保障和房產局) (the "Nanjing Housing Bureau"). We have exhausted our efforts in identifying/searching for historical transaction records for properties of similar type to this property in Nanjing City by making in-person enquiry with the Nanjing Housing Bureau and reviewed its website (https://fcj.nanjing.gov.cn/), and noted that no such information is available to the public. Besides, according to our experience in various cities in the PRC, no historical property transaction records (except for land transactions) are available to the public. As such, we have identified and analysed the listing prices (which are available to the public) of comparables properties that have similar characteristics as this property, and adopted such listing prices in valuing this property using the market approach which is a common industry practice. Based on the above, we consider that the adoption of market approach based on the listing price of comparable properties is fair and reasonable.

The listing comparables were gathered on 11 April 2024, i.e. the Date of Research, in order of latest date of listing from the newest to the oldest. The comparables selected were based on the selection criteria as shown in the comparable tables below according to the type of property. As this property is a new development/ first hand property, we first searched for first hand property listing comparables within a time frame ranging from six to twelve months from the Date of Research depending on the property type. If there are insufficient first hand listing comparables to form a sufficient basis for our assessment, we will continue to search for second hand property listing comparables. After the listing comparables were identified, we have conducted enquiries with local developer/real estate brokers confirming that (i) the listing comparables were listed and available for sale as at the Valuation Date; and (ii) the listing prices/rents were effective on the Valuation Date. We selected comparables starting from the listings in the most recent month from the Date of Research and extending monthly until sufficient comparables (at least 3) were obtained. In the event that there were more than one comparable in the same month, all such comparables were taken. Notwithstanding the date of latest update of the listing comparables may be subsequent to the Valuation Date, given that we have obtained the abovesaid confirmation from local developer/ real estate brokers, the listing comparables represent relevant market information as at the Valuation Date. Therefore, the date of latest update of the listing comparables and the Date of Research has no bearing on the validity of the said information as at the Valuation Date.

Based on the selection criteria shown in the comparables tables, comparables selected are exhaustive. The unit rate is calculated by dividing listing price by gross floor area of these comparables. In addition to adjustment of discount to listing price, adjustments are also made to reflect the differences in various aspects between the comparables and the subject property, including time and location to arrive at the adjusted unit rates. The general basis of adjustment is that if the comparable property is superior to the subject property, a downward adjustment is made, vice versa.

Adjustment factors

Time: Time adjustments reflect differences in market conditions between the valuation date and the dates of comparables. As we have confirmed with local developer/ real estate brokers that the listing comparables were listed and available for sale, and the listing prices/ rents were effective, both as at the Valuation Date, there is no time adjustment necessary for the listing comparables.

Location: Location is adjusted based on the surroundings and accessibility of this property and comparables.

Size: In general, the unit rate of a property with a small area is higher than that of a property with a large area and vice versa.

Discount to listing price: Listing prices of second-hand properties are typically subject to negotiation and do not necessarily represent the actual transacted prices. As such, adjustment has been made to the listing prices of second-hand comparable properties. In the absence of publicly available historical transaction records as mentioned above, we are unable to analyse the differences between listing prices and actual transacted prices of historical second-hand property transactions. We have made enquiries with the local real estate brokers and was given to understand that the listing prices of the above second-hand comparable properties are negotiable to a small degree, say about 5%. Based on the above and our understanding of the prevailing market condition, we have adopted a downward adjustment of 5% as discount to listing price. No adjustment has been made to the listing prices of new developments/first-hand comparable properties because there are typically not much room for negotiation for such properties.

Decoration: Residential apartment and residential townhouse are not decorated with fixtures and/or fittings. No adjustment is made to comparables without decoration and a downward adjustment is made to comparables with decoration. Hotel apartment/service apartment are decorated with fixtures and/or fittings. No adjustment is made to comparables with decoration and an upward adjustment is made to comparables without decoration. This adjustment factor is not applicable to commercial units and car parking spaces as no decoration is included for these property types.

Details of the comparable properties and adjustments are as follows.

In respect of residential apartment (decoration not included)

Residential apartment	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Liuhe District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Residential apartment	Residential apartment	Residential apartment
Gross floor area *(sq. m.)*	120	133.1	101
Date of latest update of listing prior to Date of Research	Sep 2023	Mar 2024	Dec 2023
Listing price *(RMB)*	2,120,000	2,370,000	1,260,000
Listing price unit rate *(RMB/sq. m.)*	17,667	17,806	12,475
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar rural area but located in the subway area and has better accessibility than the subject property (downward adjustment)*	*Similar rural area but located in the subway area and has better accessibility than the subject property (downward adjustment)*	*Similar rural area but located in the subway area and has better accessibility than the subject property (downward adjustment)*
Size#	*Upward adjustment*	*Upward adjustment*	*Downward adjustment*
Decoration	*Decoration included (downward adjustment)*	*Decoration not included (nil adjustment)*	*Decoration included (downward adjustment)*
Total adjustment (rounded)	-29.9%	-19.8%	-30.1%
Adjusted unit rate *(RMB/sq. m.)*	12,384	14,286	8,721
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**11,500**		
Gross floor area of residential apartment *(sq. m.)*	35,505.75		

Reference gross floor area: 110 sq. m., being the gross floor area of the most common unit type of residential apartments of the subject property after completion.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within September 2023 to March 2024

In respect of residential townhouse (decoration not included)

Residential townhouse	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Lishui District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Residential townhouse	Residential townhouse	Residential townhouse
Gross floor area *(sq. m.)*	316	219	144
Date of latest update of listing prior to Date of Research	Nov 2023	Dec 2023	Sep 2023
Listing price *(RMB)*	5,176,080	3,157,104	1,840,000
Listing price unit rate *(RMB/sq. m.)*	16,380	14,416	12,778
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar rural area and accessibility as subject property* (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Downward adjustment*
Decoration	*Decoration not included (nil adjustment)*	*Decoration not included (nil adjustment)*	*Decoration not included (nil adjustment)*
Total adjustment (rounded)	0.7%	-0.3%	-1.1%
Adjusted unit rate *(RMB/sq. m.)*	16,488	14,371	12,642
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**12,500**		
Gross floor area of residential townhouse *(sq. m.)*	188,349.96		

* The subject property and comparables are located in the rural area of Nanjing City with similar accessibility, we considered they are located in the similar locality.

\# Reference gross floor area: 250 sq. m., being the gross floor area of the most common unit type of residential townhouses of the subject property after completion.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within September 2023 to December 2023

In respect of hotel apartment/ service apartment (decoration included)

Hotel apartment/ service apartment	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Liuhe District, Nanjing City	Qixia District, Nanjing City	Liuhe District, Nanjing City
Usage	Hotel apartment/service apartment	Hotel apartment/service apartment	Hotel apartment/service apartment
Gross floor area *(sq. m.)*	100	63	70
Date of latest update of listing prior to Date of Research	Jan 2024	Mar 2024	Jan 2024
Listing price *(RMB)*	1,350,000	1,260,000	1,400,000
Listing price unit rate *(RMB/sq. m.)*	13,500	20,000	20,000
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Similar rural area and better accessibility than the subject property (downward adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Nil adjustment*
Decoration	*Decoration not included (upward adjustment)*	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*
Total adjustment (rounded)	10.3%	-30.1%	0%
Adjusted unit rate *(RMB/sq. m.)*	14,891	13,986	20,000
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**14,500**		
Gross floor area of hotel apartment/ service apartment *(sq. m.)*	17,302.5		

Reference gross floor area: 70 sq. m., being the gross floor area of the most common unit type of hotel apartments/ service apartments of the subject property after completion.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within January 2024 to March 2024

In respect of commercial units

Commercial	Comparable 1	Comparable 2	Comparable 3
Address	Liuhe District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Commercial	Commercial	Commercial
Date of latest update of listing prior to Date of Research	Jan 2024	Jan 2024	Jan 2024
Gross floor area *(sq. m.)*	75	40	35
Listing price *(RMB)*	1,000,000	550,000	450,000
Listing price unit rate *(RMB/sq. m.)*	13,333	13,750	12,857
Adjustments to listing price unit rate:			
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Downward adjustment*
Total adjustment (rounded)	-4.9%	-5.2%	-5.3%
Adjusted unit rate *(RMB/sq. m.)*	12,687	13,035	12,182
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**12,500**		
Gross floor area of commercial units *(sq. m.)*	2,065		

Reference gross floor area: 60 sq. m., being the gross floor area of the most common unit type of commercial units of the subject property after completion. As the development plan has not been formulated yet, it is assumed that the commercial units will be sold individually.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within January 2024.

In respect of car parking spaces

Car parking space	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Liuhe District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Car parking space	Car parking space	Car parking space
Date of latest update of listing prior to Date of Research	Aug 2023	Aug 2023	Aug 2023
Listing price *(RMB)*	65,000	60,000	89,800
Adjustments to listing price unit rate:			
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Total adjustment	–5%	–5%	–5%
Adjusted unit rate *(RMB/car parking space)*	61,750	57,000	85,310
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**66,000**		
No of car parking space	2,042		

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c . listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within August 2023.

Based on the analysis of the comparables, the adopted unit rates in the course of our valuation of this property for residential apartment, residential townhouse, hotel apartment/service apartment and shops are RMB11,500 per sq. m., RMB12,500 per sq. m., RMB14,500 per sq. m. and RMB12,500 per sq. m. respectively and the adopted unit rate of car parking spaces is RMB66,000 each. The total market value of this property after completion is then calculated by adjusted unit rates multiplied by the estimated total gross floor areas of each portion, adding the total transaction price of the pre-sold units, which is approximately RMB3,405,600,000.

The estimated outstanding cost to complete the Proposed Development of RMB2,925,600,000, which is made reference to our internal construction cost market research, together with relevant tax and time cost are then deducted from the total market value of this property after completion. By adding the incurred construction cost of this property of RMB841,000,000 as at the Valuation Date, we arrived the total value of this property as at the Valuation Date at RMB1,117,000,000.

Item	*RMB*	*RMB*
1. Value of pre-sold residential townhouse after completion *(Note 1)*	243,700,000	
2. Value of residential apartment after completion	408,300,000	
3. Value of residential townhouse after completion	2,342,100,000	
4. Value of hotel apartment/service apartment after completion	250,900,000	
5. Value of shop after completion	25,800,000	
6. Value of car parking space after completion	134,800,000	
7. Value of this property after completion (Sum of items 1 to 6) *(Note 2)*		3,405,600,000
8. Development cost	1,910,000,000	
9. Relevant development cost such as professional fee, finance, developer profit etc.	1,015,600,000	
10. Tax related to the subject property	190,000,000	
11. Time cost (discount at 5.25% with reference to the People's Bank of China lending rate for 1 year, which is the estimated time for completion)	14,000,000	
12. Total estimated outstanding cost (Sum of items 8 to 11)		3,129,600,000
13. Construction cost incur as at the Valuation Date		841,000,000
14. Market value of this property as at the Valuation Date (item 7 minus item 12 and add item 13)		1,117,000,000

Notes:

1. This comprises residential townhouse for which (i) sale and purchase agreement has been signed, representing approximately RMB150.5 million in aggregate; and (ii) property subscription agreement has been signed, representing approximately RMB93.2 million in aggregate. Under the property subscription agreement, the buyer paid a deposit to purchase the subject unit at an agreed price, subject to the signing of a sale and purchase agreement.

2. This represents the capital value after completion of this property.

9. As stated in the letter from the Board in Page 19 of this circular, the Company has considered the factors including the default of the Nanjing Project Company on the scheduled settlement of the bank loan which is secured by such property interests and the disposal of the bank loan as non-performing assets by the bank, the Company has further instructed us to assess the value for sale under repossession. The value for sale under repossession is assessed with reference to the percentage difference between actual judicial transaction price of a foreclosed property and the market value assessed by a qualified valuer appointed by the relevant judiciary. The comparables selected were based on the following criteria:

   a. posting on the Alibaba Judicial Auction website;
   b. transaction under judicial auction; and
   c. transaction date from July 2023 to the Date of Research, which we consider is sufficient for our understanding of the discounts of recent judicial transactions and appropriate for assessment of the value for sale under repossession as at 31 December 2023.

   Based on the above selection criteria, comparables selected below are exhaustive. Details of the comparables of judicial transaction price are as follow:

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**	**Comparable 6**
Property	A parcel of land with various building erected thereon	A parcel of land	A parcel of land with various building erected thereon	Various units including residential units, commercial units and basement	A parcel of land with various building erected thereon	A parcel of land with various building erected thereon
Address	Suzhou City, Jiangsu Province	Xuzhou city, Jiangsu Province	Chongqing City	Fu'an City, Fujian Province	Guangzhou City, Guangdong Province	Longnan City, Gansu Province
Usage	Residential	Residential and commercial	Residential and commercial	Residential and commercial	Commercial	Residential and commercial
Date of Transaction	Jan 2024	Dec 2023	Oct 2023	Sep 2023	Jan 2024	July 2023
Valuation (RMB)	1,376,587,500	255,895,800	286,516,800	179,063,400	892,285,932	242,748,600
Transaction (RMB)	1,170,099,380	179,209,977	204,859,512	100,276,000	499,680,123	169,960,000
Discount	15%	30%	29%	44%	44%	30%
Adopted discount (average discount of the comparables and rounded to the nearest 10%)		30%				
Source:	https://sf-item.taobao.com/sf_item/755252743832.htm?spm=a213w.7398504.paiList.7.6a06efd4D5hQ1z&track_id=9ccfbb74-9a75-4195-b8e9-fbd55f240bdf	https://sf-item.taobao.com/sf_item/750884980287.htm?spm=a213w.7398504.paiList.189.5a82efd49pNneC&track_id=c300e348-1bed-4be6-a1be-eb441c453aab	https://sf-item.taobao.com/sf_item/736220616909.htm?spm=a213w.7398504.paiList.40.5ea0efd4fPepSQ&track_id=c69225c9-ef4c-4f31-9b5d-1897b5dd66be	https://sf-item.taobao.com/sf_item/738697539914.htm?spm=a213w.7398504.paiList.46.5ea0efd4fPepSQ&track_id=c69225c9-ef4c-4f31-9b5d-1897b5dd66be	https://sf-item.taobao.com/sf_item/736599767894.htm?spm=a213w.7398504.paiList.31.4e44efd4ifJyus&track_id=16289215-b723-433f-ab3b-b126bf6b4d28	https://sf-item.taobao.com/sf_item/722235954147.htm?spm=a213w.7398504.paiList.14.502befd4rFZgYI&track_id=7e3a8588-63fe-486d-bc4c-64db67fdf0ff

10. We are of the opinion that the value for sale under repossession of this property as at the Valuation Date is RMB781,900,000.

11. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) This property is subject to mortgage. According to the mortgage agreement signed in between Nanjing Yuanding Real Estate Co., Ltd and Guangzhou Bank Nanjing Branch Limited, a written approval is needed if this property is transferred, leased and re-mortgaged;

   (b) Nanjing Yuanding Real Estate Co., Ltd is the current registered owner of this property and is entitled to occupy, transfer, lease and mortgage this property subject to a written approval from Guangzhou Bank Nanjing Branch Limited;

(c) 4 parcels of land with a total site area of approximately of 62,823 sq. m. is subject to freezing order made by the court in respect of a maximum assets value of RMB20 million for a period of three years ending December 2026, which may be discharged upon, among others, (i) the freezing order of the property is not involved in the case, (ii) the plaintiff withdraw the application or waiving his obligation, (iii) the frozen assets failed to be sold at judicial auction or judicial sale, (iv) the claimed amount being repaid, (v) other guarantee being made by the defendant and accepted by the plaintiff in place of the frozen assets and (vi) in such situations where the court considers the freezing order should be discharged. and those parcel of land cannot be transferred;

(d) If the freezing order is discharged, the registered owner of this property is entitled to occupy, transfer, lease and mortgage this property; and

(e) the following legal documents were obtained:

i.	Real Estate Ownership Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes
v.	Commodity House Pre-sale Permit	Yes

12. As advised by the Company, 4 parcels of land under freezing order stated in Note 11(c) are under construction which include residential development and hotel apartment/service apartment according to the development proposal.

13. In the course of our valuation, we have been aware of the freezing order stated in Note 11(c), however, no allowance has been made for any damage or loss to the legal title of this property in respect of the freezing order.

14. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

15. In the course of our valuation, we have assessed the market value of the Properties according to the HKIS Valuation Standards 2020 Edition 5.3.15 “When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded.” Hence, the freezing order is not considered in our valuation. Encumbrances such as mortgage or freezing order is a type of title defect related to legal issue. We are unable to quantify the legal effect on the property and hence we are unable to comment whether encumbrances such as freezing order may or may not materially affect the valuation amount. As such, according to the HKIS Valuation Standards 2020 Edition, we may only assess the market value of a property disregarding any encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2023 *RMB*
4.	3 parcels of land (Lot No. (2020) Nos. 32, 48 and 49) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	This property comprises 3 land parcels with a total site area of approximately 108,688 sq. m. As advised by the Company, this property will be developed into a low to medium-rise comprehensive development with a total estimated gross floor area of approximately 118,569 sq. m. The land use rights of this property were granted for various terms with the latest expiry date on 24 January 2091 for residential and commercial uses.	This property was vacant as at the Valuation Date.	156,400,000

Notes:

1. Pursuant to 3 Real Estate Ownership Certificates, the land use rights of Lot No. (2020) Nos. 32, 48 and 49 of this property with a total site area of approximately 108,688 sq. m. were granted to various subsidiaries of the Group for various terms with the latest expiry date on 24 January 2091 for residential and commercial uses. The details are as follows:

Real Estate Ownership Certificates *(Document Nos.)*	Grantee	Approximate site area *(sq. m.)*	Issuing Dates	Permitted land uses	Tenure Expiry Dates
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No.0000006 (Lot Nos. (2020) No.32)	Luanping Qianyang Real Estate Development Co., Ltd.* (灤平乾陽房地產開發有限公司)	45,450	4 January 2021	Commercial	10 December 2060
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No.0000205 (Lot No.(2020) No.48)	Luanping Huayang Real Estate Development Co., Ltd.* (灤平華陽房地產開發有限公司)	9,945	26 January 2021	Residential Commercial	20 January 2091 20 January 2061
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No. 0005572 (Lot No.(2020) No.49)	Luanping Huayang Real Estate Development Co., Ltd.* (灤平華陽房地產開發有限公司)	53,293	27 July 2021	Residential Commercial	24 January 2091 24 January 2061

2. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c11130824-2020-28) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Qianyang Real Estate Development Co., Ltd. (Party B) dated 23 November 2020, the land use rights of Lot No.(2020) No.32 of this property with a total site area of approximately 45,450 sq. m. were granted from Party A to Party B for a term of 40 years for commercial uses for a consideration of RMB115,500,000. The salient terms related to the development conditions of this property are as below:

Total Gross Floor Area	:	Not more than approximately 36,360 sq. m.
Plot Ratio	:	Not more than 0.8
Site Coverage	:	Not more than to 40%
Building Height	:	Not higher than 24 meters
Greenery Ratio	:	Not less than 25%

3. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c1130824-2021-02) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Huayang Real Estate Development Co., Ltd. (Party B) dated 21 January 2021, the land use rights of Lot No.(2020) No.48 of this property with a total site area of approximately 9,945 sq. m. were granted from Party A to Party B for terms of 70 and 40 years for residential and commercial uses respectively, for a consideration of RMB18,440,000. The salient terms related to the development conditions of this property are as below:

Total Gross Floor Area	:	Not more than approximately 12,928.5 sq. m.
Plot Ratio	:	Not more than 1.3 and not less than 1
Site Coverage	:	Not more than to 30%
Building Height	:	Not higher than 36 meters
Greenery Ratio	:	Not less than 30%

4. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c1130824-2021-01) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Huayang Real Estate Development Co., Ltd. (Party B) dated 21 January 2021, the land use rights of Lot No.(2020) No.49 of this property with a site area of approximately 53,293 sq. m. were granted from Party A to Party B for terms of 70 and 40 years for residential and commercial uses respectively, for a consideration of RMB98,800,000. The salient terms related to the development conditions of this property are as below:

Total Gross Floor Area	:	Not more than approximately 69,280.9 sq. m.
Plot Ratio	:	Not more than 1.3 and not less than 1
Site Coverage	:	Not more than to 30%
Building Height	:	Not higher than 36 meters
Greenery Ratio	:	Not less than 30%

5. This property is situated at Bakeshiying Town in Luanping County, buildings in the locality are low to medium-rise residential buildings. Gubeikou Railway Station and Beijing Capital International Airport are about 20-minute and 2-hour driving distance from this property respectively. Taxis and buses are accessible to this property.

6. According to the development proposal provided by the Company, the proposed development (the "Proposed Development") will comprise a low to medium-rise comprehensive development with a total estimated gross floor area of approximately 118,569 sq. m. Notwithstanding the above, as the property is not in the process of being developed and there is no detailed plan for the development of the property, there is no estimated capital value after completion as at the Valuation Date.

7. In undertaking our valuation to this property, we have identified and analysed various completed land transactions with similar characteristics as this property. The comparables selected were based on the following criteria:

   a. located at similar location with this property;
   b. similar usage with this property;
   c. site area not less than 7,500 sq. m. for residential and site area not less than 10,000 sq. m. for commercial; and
   d. transaction date from Mar 2022 to Dec 2023 (residential land) and from July 2022 to Dec 2023 (commercial land).

Based on the above selection criteria, comparables selected below are exhaustive. The unit rate is calculated by dividing consideration by gross floor area of these comparables. Adjustments reflected the differences in various aspects between the comparables and the subject property, including time and location to arrive at the adjusted unit rates. The general basis of adjustment is that if the comparable property is superior to the subject property, a downward adjustment is made, vice versa.

Adjustment factors

Time: Time adjustments reflect differences in market conditions between the valuation date and the transaction dates of comparables. According to our site inspection and our discussion with the local real estate brokers, the property market in Luanping County is stable in past two years. Therefore no adjustment is made in this factor.

Location: Location is adjusted based on the surroundings and accessibility of the property and comparables.

Size: In general, the unit rate of a property with a small area is higher than that of a property with a large area and vice versa. Adjustment made is based on the site area of the property and the comparables.

Tenure: Tenure adjustment is made to reflect the difference between the remaining lease term of the subject property land grant as at the Valuation Date and the lease term of a new land grant. The sooner the lease is to expire, the larger the downward adjustment would be applied.

Details of the comparable properties and adjustments are as follows.

Residential Land	**Comparable 1**	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**
Address	Luanping County	Luanping County	Luanping County	Luanping County	Luanping County
Usage	Residential	Residential	Residential	Residential	Residential
Date of transaction	Aug 2023	Feb 2023	Jan 2023	Sep 2022	Mar 2022
Tenure	70	70	70	70	70
Site area *(sq. m.)*	9,213	7,952	14,000	27,387	69,932
Gross floor area *(sq. m.)*	13,820	15,904	28,000	54,774	104,898
Consideration (RMB)	7,440,000	28,630,000	33,600,000	67,990,000	190,130,000
Unit rate per gross floor area *(RMB/sq. m.)*	538	1,800	1,200	1,241	1,813
Adjustment to unit rate per gross floor area:					
Time	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*
Location	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*
Size#	*Downward adjustment*	*Downward adjustment*	*Downward adjustment*	*Downward adjustment*	*Upward adjustment*
Total adjustment (rounded)	-5.4%	-5.5%	-4.9%	-3.6%	0.7%
Adjusted unit rate *(RMB/sq. m.)*	509	1,700	1,141	1,197	1,825
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables as basis and further adjusted with our understanding to the market *(RMB/sq. m.)*	1,300				
Tenure adjustment*	-0.3%				
Gross floor area of the residential land *(sq. m.)*	82,209.4				
Market Value of the residential land *(RMB)*	106,600,000				

Reference site area: 63,238 sq. m., being the aggregate site area of the residential land of the subject property.

* the remaining lease term of the residential land of the subject property is around 67.06 years as at the Valuation Date.

Commercial Land	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Luanping County	Luanping County	Luanping County
Usage	Commercial	Commercial	Commercial
Date of transaction	Nov 2023	Jan 2023	July 2022
Tenure	40	40	40
Site area *(sq. m.)*	16,203	16,827	36,562
Gross floor area *(sq. m.)*	8,102	13,462	91,405
Consideration (RMB)	18,270,000	15,860,000	86,650,000
Unit rate per gross floor area *(RMB/sq. m.)*	2,255	1,178	948
Adjustment to unit rate per gross floor area:			
Time	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*
Location	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*
Size#	*Downward adjustment*	*Downward adjustment*	*Downward adjustment*
Total adjustment (rounded)	–2.92%	–2.86%	–0.9%
Adjusted unit rate *(RMB/sq. m.)*	2,189	1,144	940
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables as basis and further adjusted with our understanding to the market *(RMB/sq. m.)*	**1,400**		
Tenure adjustment*	-2.1%		
Gross floor area of the commercial land *(sq. m.)*	36,360		
Market Value of the commercial land *(RMB)*	**49,800,000**		

\# Reference site area: 45,450 sq. m., being the site area of the commercial land of the subject property.

* the remaining lease term of the commercial land of the subject property is 36.9 years as at the Valuation Date.

8. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) Luanping Qianyang Real Estate Development Co., Ltd. and Luanping Huayang Real Estate Development Co., Ltd. are the current registered owner of this property and are entitled to occupy, transfer, lease and mortgage this property except those stated in Note 8(c);

   (b) this property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of this property except those stated in Note 8(c);

   (c) A parcel of land with a site area of approximately of 53,293 sq. m. is subject to mortgage. If this land is transferred, the mortgagee must be notified. According to regulations, the mortgagee who may damage the mortgage rights if the mortgaged property is transferred may require the mortgagor to use the proceeds from the transfer to pay off the debt in advance;

   (d) the Company has not commenced the development of this property within the timeframe specified in the respective State Owned Construction Land Use Rights Grant Contract and has not applied to postpone the commencement of construction. Therefore, the Company is subject to the risk of penalty payment or forfeiture to the PRC government; and

   (e) the following legal documents were obtained:

i.	Real Estate Ownership Certificate	Yes
ii.	Construction Land Planning Permit	No
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No

9. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

D. PROPERTY VALUATION REPORT AS AT 31 MARCH 2024

The following is the text of letter and valuation report, prepared for the purpose of incorporation in this circular, received from Graval Consulting Limited, an independent property valuer, in connection with their valuation as at 31 March 2024 of the property interests held by the Group in the People's Republic of China

Graval Consulting Limited
Suites 2401-02, 24/F,
Shui On Centre, 6-8 Harbour Road,
Wanchai, Hong Kong

28 June 2024

The Board of Directors
Zhongzheng International Company Limited
Room 1005, 10/F,
BEA Harbour View Centre,
56 Gloucester Road,
Wan Chai, Hong Kong

Dear Sirs and Madams,

Re: Valuation of various properties located in the People's Republic of China

INSTRUCTIONS

We refer to your instruction for us to value the property interest (the "Properties") held by Hong Kong Zhongzheng City Investment Limited or its subsidiaries (together referred as "the Disposal Group") and Chengde Zhongzheng Jinyu Investment Development Co., Ltd. or its subsidiaries (together referred as the "Chengde Jinyu Group") located in the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in existing state as at 31 March 2024 (the "Valuation Date") for the purpose of incorporation into the circular issued by the Company on the date hereof.

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value ("Market Value") which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

For property no. 1, it comprises carparking space without Real Estate Ownership Certificates. We have ascribed no commercial value to these carparking spaces due to the absence of the Real Estate Ownership Certificates, hence they are not entitled to be transferred. For the Group's management reference, however, we are requested to separately assess the worth of these carparking spaces for investment purpose in their respective existing state on a non-market value basis. According to the Hong Kong Institute of Surveyors, investment value is defined as "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives." Investment value is an entity-specific basis of value that measures the value of the benefits of ownership to the current owner or to a prospective owner. It must be emphasized that the investment value is not market value.

For property no. 3, we have assessed our opinion of value for sale under repossession as further instructed by the instructing party. Our valuation represents our opinion of value for sale under repossession which we would refer to "price that might reasonably be expected to realise within a defined period of time (i.e. within three month) of the Valuation Date to the sale of a real property in the market under repossession by the lender or receiver, on a vacant possession basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise".

VALUATION METHODOLOGY(IES)

There are three generally accepted approaches to value, according to the HKIS Valuation Standard 2020 Edition, namely:

Market Approach

An approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

Income Approach

An approach that provides an indication of value by converting future cash flows to a single current capital value.

Cost Approach

An approach that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. Cost approach is commonly adopted when there is no sufficient market information.

In valuing the Properties except the carparking spaces without Real Estate Ownership Certificates in property no. 1, we have adopted the market approach as there are sufficient market information (such as transaction, listing, market research and news) of the similar assets. For property no. 2, we have also adopted market approach based on the specified resettle selling price. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which the actual transaction price and/or the listing price is available. For the property still under construction, we have also taken into account the expended construction costs and the construction costs that will be expended to complete the developments to reflect the quality of the completed development. The income approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The cost approach was not adopted because the value of the property is determined based on the cost of construction and it does not consider the supply and demand of the market.

For the value for sale under repossession of property no. 3, it is assessed with reference to the percentage difference between actual judicial transaction price of a foreclosed property and the market value assessed by a qualified valuer appointed by the relevant judiciary.

For the investment value of carparking spaces without Real Estate Ownership Certificates in property no. 1, we have adopted the income approach due to its non-transferable nature but entitle to occupy and lease nature. Income approach is an approach that provides an indication of value by converting future cash flows to a single current capital value.

VALUATION STANDARDS

In valuing properties no. 1 and no. 3, we have adopted listing price as market comparables, which is in compliance with the HKIS Valuation Standard 2020 Edition.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors ("HKIS"), the RICS Valuation – Global Standards (Effective on 31 January 2022) published by the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards ("IVS") published by International Valuation Standards Council (IVSC) (Effective on 31 January 2022).

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing title to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, Beijing Zhong Lun (Shenzhen) Law Firm, concerning the validity of the title to the property interest located in the PRC.

AREA MEASUREMENT AND INSPECTION

Our Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MCIREA has inspected the Properties in April 2024. In the course of our inspections, we did not note any serious structural defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exits, unless noted in the valuation report.

VALUATION ASSUMPTION

Our valuations have been made on the assumption that the owner sells the Properties in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

All consents, approvals and license from relevant government authorities for the property interest have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interest and improvements are within the boundaries of the property interest described and that no encroachment or trespass exists, unless noted in the valuation report.

LIMITING CONDITIONS

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assured unless otherwise stated, defined and considered in the valuation report.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (RMB).

The English transliteration of the Chinese name(s) in this valuation report, where indicated by an asterisk (*), is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).

We enclose herewith our summary of valuation together with the valuation report.

Yours faithfully,
For and on behalf of
Graval Consulting Limited
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA MHKIM
RICS Registered Valuer
Partner

Analysed and reported by: **Ivan K.H. Mak,** *CFA*
Assistant Manager

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 20 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Region. Lawrence joined Graval Consulting Limited in 2020.

Mr. Ivan Mak was graduated from The Hong Kong Polytechnic University who has over 10 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim. Ivan joined Graval Consulting Limited in 2020.

VALUATION SUMMARY

No.	Properties	Market Value in existing state as at 31 March 2024 *(RMB)*[(Note 1)]
Group I – Properties held for sale		
1.	20 residential units and 71 commercial units and 178 carparking spaces (comprises 110 carparking spaces with Real Estate Ownership Certificates and 68 carparking spaces without Real Estate Ownership Certificates) of Zhongzheng Yunting located at No. 180 Guantai Road Nancheng Part, Nancheng Sub-district, Dongguan City, Guangdong Province, the PRC	155,920,000 (excluding the investment value of the 68 carparking spaces without Real Estate Ownership Certificates)[(Note 2)]
2.	35 residential units and 2 commercial units of Qinchun Xinju (Lot No. (2019) No.19) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	17,600,000
Group II – Properties held for development		
3.	A construction site (Lot Nos. 23109900012, 23109900013, 23109900014, 320116011005GB00007, 320116011005GB00008, 320116011005GB00011, 320116010016GB00017, 320116011005GB00020, 320116011005GB00013, 320116011005GB00012, 320116010016GB00018, 320116011005GB00006, 320116011005GB00005 and 320116011005GB00009) of Quanyue Chunfengju located at Naishan, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC	1,115,000,000 (value for sale under repossession in existing state as at 31 March 2024 RMB780,500,000)
4.	3 parcels of land (Lot No. (2020) No. 32, 48 and 49) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	156,100,000
Total		**1,444,620,000**

Notes:

1. These represent the capital values in existing state of the properties (including the properties held for development).

2. The investment value of the 68 carparking spaces without real estate ownership certificates as at 31 March 2024 is RMB12,240,000.

VALUATION REPORT

Group I – Properties held for sale

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2024 *RMB*
1.	20 residential units and 71 commercial units and 178 carparking spaces of Zhongzheng Yunting located at No. 180 Guantai Road Nancheng Part, Nancheng Sub-district, Dongguan City, Guangdong Province, the PRC	This property comprises 20 residential units, 71 commercial units and 178 carparking spaces (comprises110 carparking spaces with Real Estate Ownership Certificates and 68 carparking spaces without Real Estate Ownership Certificates) of a 25-storey (exclusive of 2-level basement) composite building completed in about 2022. The gross floor area of this property is approximately 6,854.43 sq. m.. (exclusive of 2-level basement with a total gross floor area of approximately 7,331.11 sq. m.) The land use rights of this property were granted for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use respectively.	This property was vacant as at the Valuation Date.	155,920,000 (excluding the investment value of the 68 carparking spaces without Real Estate Ownership Certificates) (See Notes 5, 7, 8 and 9)

Notes:

1. Pursuant to 20 Real Estate Ownership Certificates, the land use rights of 20 residential units of this property were granted to Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of 20 residential units of this property with a total gross floor area of approximately 1,957.28 sq. m. is vested in Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for residential use.

2. Pursuant to 71 Real Estate Ownership Certificates, the land use rights of 71 commercial units of this property were granted to Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of 71 commercial units of this property with a total gross floor area of approximately 4,897.15 sq. m. is vested in Dongguan Hexin Real Estate Development Co., Ltd.* (東莞禾信房地產開發有限公司) for commercial use.

3. Pursuant to a 110 Real Estate Ownership Certificates, the land use rights of 110 car parking spaces of this property were granted to Dongguan Hexin Real Estate Development Co., Ltd.*(東莞禾信房地產開發有限公司) for terms expiring on 16 January 2064 for residential use and 10 May 2058 for commercial use.

   Furthermore, as stipulated in the Real Estate Ownership Certificates, the ownership of 110 car parking spaces of this property is vested in Dongguan Hexin Real Estate Development Co., Ltd.*(東莞禾信房地產開發有限公司) for car parking use.

4. This property is situated at the junction of Guantai Avenue and Huancheng Road West in Nancheng, buildings in the locality are medium to high-rise residential/commercial buildings. Dongguan Rail Transit Hadi Station and Humen Railway Station are about 10-minute and 30-minute driving distance from this property respectively. Rail transit, taxis and buses are accessible to this property.

5. As advised by the Company, this property comprises 68 carparking spaces without Real Estate Ownership Certificates. We have ascribed no commercial value to these carparking spaces due to the absence of the Real Estate Ownership Certificates, hence they are not entitled to be transferred. For the Group's management reference, however, we are requested to separately assess the worth of these carparking spaces for investment purpose in their respective existing state on a non-market value basis. According to the Hong Kong Institute of Surveyors, investment value is defined as "the value of an asset to a particular owner or prospective owner for individual investment or operational objectives." Investment value is an entity-specific basis of value that measures the value of the benefits of ownership to the current owner or to a prospective owner. It must be emphasized that the investment value is not market value. In valuing the investment value of these car parking spaces, we have adopted the income approach due to its non-transferable nature but entitle to occupy and lease nature. Detail of car parking space rental comparables are listed in Note 6. The investment value of these carparking spaces as at the Valuation Date is RMB12,240,000.

6. In Dongguan City, the government authority with oversight over land and property transactions is the Dongguan Municipal Housing and Urban-Rural Development Bureau* (東莞市住房和城鄉建設局) (the "Dongguan Housing Bureau"). We have exhausted our efforts in identifying/searching for historical transaction records for properties of similar type to this property in Dongguan City by making in-person enquiry with the Dongguan Housing Bureau and reviewing its website (https://zjj.dg.gov.cn/), and noted that no such information is available to the public. Besides, according to our valuer's property valuation experience in various cities in the PRC, no historical property transaction records (except for land transactions) are available to the public. As such, we have identified and analysed the listing prices (which are available to the public) of comparables properties that have similar characteristics as this property, and adopted such listing prices in valuing this property using the market approach which is a common industry practice. Based on the above, we consider that the adoption of market approach based on the listing price of comparable properties is fair and reasonable.

   The listing comparables were gathered on 11 April 2024 (the "Date of Research") in order of listing date from the newest to the oldest. The comparables selected were based on the selection criteria as shown in the comparable tables below according to the type of property. As this property is a new development/ first hand property, we first searched for first hand property listing comparables within a time frame ranging from six to twelve months from the Date of Research depending on the property type. If there are insufficient first hand listing comparables to form a sufficient basis for our assessment, we will continue to search for second hand property listing comparables. After the listing comparables were identified, we have conducted enquiries with local developer /real estate brokers confirming that (i) the listing comparables were listed and available for sale as at the Valuation Date; and (ii) the listing prices/rents were effective on the Valuation Date. We have selected comparables starting from the listings in the most recent month from the Date of Research and extending monthly until sufficient comparables (at least 3) were obtained. In the event that there were more than one comparable in the same month, all such comparables were taken. Notwithstanding the date of latest update of the listing comparables may be subsequent to the Valuation Date, given that we have obtained the abovesaid confirmation from local developer/ real estate brokers, the listing comparables represent relevant market information as at the Valuation Date. Therefore, the date of latest update of the listing comparables and the Date of Research has no bearing on the validity of the said information as at the Valuation Date.

Based on the selection criteria shown in the comparables tables, comparables selected are exhaustive. The unit rate is calculated by dividing listing price by gross floor area of these comparables. In addition to the adjustment for discount to listing price, adjustments are also made to reflect the differences in various aspects between the comparables and the subject property, including time and location to arrive at the adjusted unit rates. The general basis of adjustment is that if the comparable property is superior to the subject property, a downward adjustment is made, vice versa.

Adjustment factors

Time:	Time adjustments reflect differences in market conditions between the valuation date and the dates of comparables. As we have confirmed with local developer/ real estate brokers that the listing comparables were listed and available for sale, and the listing prices/ rents were effective, both as at the Valuation Date, there is no time adjustment necessary for the listing comparables.
Location:	Location is adjusted based on the surroundings and accessibility of the property and comparables.
Size:	In general, the unit rate of a property with a small area is higher than that of a property with a large area and vice versa.
Discount to listing price:	Listing prices of second-hand properties are typically subject to negotiation and do not necessarily represent the actual transacted prices. As such, adjustment has been made to the listing prices of second-hand comparable properties. In the absence of publicly available historical transaction records as mentioned above, we are unable to analyse the differences between listing prices and actual transacted prices of historical second-hand property transactions. We have made enquiries with the local real estate brokers and was given to understand that the listing prices of the above second-hand comparable properties are negotiable to a small degree, say about 5%. Based on the above and our understanding of the prevailing market condition, we have adopted a downward adjustment of 5% as discount to listing price. No adjustment has been made to the listing prices of new developments/first-hand comparable properties because there are typically not much room for negotiation for such properties
Decoration:	Residential apartment and commercial apartment are decorated with fixtures and/or fittings. No adjustment is made to comparables with decoration and an upward adjustment is made to comparables without decoration. This adjustment factor is not applicable to commercial units and car parking spaces as no decoration is included for these property types.

Details of the comparable properties and adjustments are as follows.

In respect of residential units (decoration included)

	Comparable 1	**Comparable 2**	**Comparable 3**
Address	Wanjiang Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Houjie Town, Dongguan City
Usage	Residential	Residential	Residential
Gross floor area *(sq. m.)*	95	97.8	107
Date of latest update of listing prior to Date of Research	Feb 2024	Apr 2024	Mar 2024
Listing price *(RMB)*	2,500,000	2,640,000	3,050,000
Listing price unit rate *(RMB/sq. m.)*	26,316	26,994	28,505
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar urban area of Dongguan City* (nil adjustment)*	*Same urban area as subject property (nil adjustment)*	*Similar urban area of Dongguan City* (nil adjustment)*
Size #	*Upward adjustment*	*Upward adjustment*	*Upward adjustment*
Decoration	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*
Total adjustment (rounded)	0.01%	0.04%	0.13%
Adjusted unit rate *(RMB/sq. m.)*	26,319	27,005	28,543
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**27,000**		
Gross floor area of residential units *(sq. m.)*	1,957.28		
Market value of the residential units *(RMB)*	**52,720,000**		

* As the subject property and comparables are located in the urban area of Dongguan City accessed by Dongguan Rail Transit, we considered they are located in the similar locality.

\# Reference gross floor area: 94 sq. m., being the gross floor area of the most common unit type of residential units of the subject property.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within February 2024 to April 2024.

In respect of Level 1 commercial units

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**
Address	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City
Usage	Commercial	Commercial	Commercial	Commercial
Gross floor area *(sq. m.)*	1,700	93	2,248	450
Date of latest update of listing prior to Date of Research	Jan 2024	Jan 2024	Jan 2024	Mar 2024
Listing price *(RMB)*	36,000,000	1,880,000	42,000,000	7,200,000
Listing price unit rate *(RMB/sq. m.)*	21,176	20,215	18,683	16,000
Adjustments to listing price unit rate:				
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Upward adjustment*	*Downward adjustment*
Total adjustment (rounded)	-2.0%	-6.0%	-0.6%	-5.1%
Adjusted unit rate *(RMB/sq. m.)*	20,762	19,007	18,574	15,187
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**17,300**			
Gross floor area of level 1 commercial unit *(sq. m.)*	482.61			
Market value of the Level 1 commercial units *(RMB)*	**8,350,000**			

\# Reference gross floor area: 483 sq.m., being the total gross floor area of the Level 1 commercial units assuming they can be sold together in one lot.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within January 2024 to March 2024.

In respect of Level 2-3 commercial units (Decoration included)

	Comparable 1	Comparable 2	Comparable 3
Address	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Wanjiang Subdistrict, Dongguan City
Usage	Commercial apartment	Commercial apartment	Commercial apartment
Gross floor area (*sq. m.*)	83.24	48	31
Date of latest update of listing prior to Date of Research	Jan 2024	Dec 2023	Feb 2024
Listing price *(RMB)*	1,498,320	1,104,000	390,000
Listing price unit rate *(RMB/sq. m.)*	18,000	23,000	12,581
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Similar urban area and similar accessibility* (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Downward adjustment*
Decoration	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*	*Decoration included (nil adjustment)*
Total adjustment (rounded)	0.1%	-0.2%	-0.4%
Adjusted unit rate *(RMB/sq. m.)*	18,026	22,952	12,533
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**17,000**		
Gross floor area of level 2-3 commercial unit *(sq. m.)*	4,414.54		
Market value of the Level 2-3 commercial units *(RMB)*	**75,050,000**		

* The subject property and comparables are located in the urban area of Dongguan City accessed by Dongguan Rail Transit, we considered they are located in the similar locality.

\# Reference gross floor area: 69 sq. m., being the gross floor area of the most common unit type of commercial apartments of the subject property.

As advised by the Company, level 2 and level 3 will be commercial apartment and hence we have adopted commercial apartment comparables.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within December 2023 to February 2024

In respect of 110 car parking space with Real Estate Ownership Certificates

	Comparable 1	Comparable 2	Comparable 3
Address	Guancheng Subdistrict, Dongguan City	Humen Town, Dongguan City	Wanjiang Subdistrict, Dongguan City
Usage	Car Parking Space	Car Parking Space	Car Parking Space
Date of latest update of listing prior to Date of Research	Jan 2024	Jan 2024	Nov 2023
Listing price *(RMB)*	210,000	220,000	160,000
Adjustments to listing price unit rate:			
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar urban area and accessibility* (nil adjustment)*	*Similar urban area and accessibility* (nil adjustment)*	*Similar urban area and accessibility* (nil adjustment)*
Total adjustment	–5%	–5%	–5%
Adjusted unit rate *(RMB/car parking space)*	199,500	209,000	152,000
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**180,000**		
Market value of the 110 car parking space *(RMB)*	**19,800,000**		

* The subject property and comparables are located in the urban area of Dongguan City accessed by Dongguan Rail Transit, we considered they are located in the similar locality.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within November 2023 to January 2024

In respect of 68 car parking space without Real Estate Ownership Certificates

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**
Address	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City	Nancheng Subdistrict, Dongguan City
Usage	Car parking space	Car parking space	Car parking space	Car parking space
Date of latest update of listing prior to Date of Research	Apr 2024	Mar 2024	Mar 2024	Mar 2024
Listing monthly rent *(RMB)*	500	320	550	400
Adjustments to listing monthly rent:				
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*	*Same urban area and similar accessibility as subject property (nil adjustment)*
Total adjustment	–5%	–5%	–5%	–5%
Adjusted unit rent *(RMB/car parking space)*	475	304	523	380
Adopted unit rent for the subject property with reference to the average of the adjusted unit rent of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**400**			
Annual Rent of 68 Car parking space	326,400			
Adopted yield	2.667%			
Investment value of the 68 car parking space *(RMB)*	**12,240,000**			

Adopted yield of the car parking space is equal to the adopted unit rent of 68 car parking spaces of RMB400 multiply by 12 and divided by the market value of the car parking space (with Real Estate Ownership Certificate) of RMB180,000.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for rent as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within March 2024 to April 2024

7. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) Dongguan Hexin Real Estate Development Co., Ltd is the current registered owner of this property and is entitled to occupy, transfer, lease and mortgage this property except those stated in Note 7(c) and 7(e);

   (b) this property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of this property except those stated in Note 7(c) and 7(e) ;

   (c) 5 residential units with a total gross floor area of approximately of 460.94 sq. m. is subject to freezing order made by the court in respect of a dispute over a loan in the principal amount of RMB10 million. An arbitral award was issued and being enforced, and the units are currently under judicial auction process for repayment of the loan and default charges and those unit cannot be transferred and mortgaged;

   (d) If the freezing order is discharged, the registered owner of this property is entitled to occupy, transfer, lease and mortgage this property;

   (e) 13 residential units with a total gross floor area of approximately of 1,309.12 sq. m. and 67 commercial units with a total gross floor area of approximately of 4,720.90 sq. m. are subject to mortgage. If those units are transferred, the mortgagee must be notified. According to regulations, the mortgagee who may damage the mortgage rights if the mortgaged property is transferred may require the mortgagor to use the proceeds from the transfer to pay off the debt in advance;

   (f) Dongguan Hexin Real Estate Development Co., Ltd is the current registered owner of the 68 car parking spaces without Real Estate Ownership Certificates and is entitled to occupy and lease but not entitled to transfer and mortgage of those 68 carparking spaces; and

   (g) the following legal documents were obtained (except for 68 car parking spaces):

      i. Real Estate Ownership Certificate — Yes

8. In the course of our valuation, we have been aware of the freezing order stated in Note 7(c), however, no allowance has been made for any damage or loss to the legal title of this property in respect of the freezing order.

9. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

10. In the course of our valuation, we have assessed the market value of the Properties according to the HKIS Valuation Standards 2020 Edition 5.3.15 "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." Hence, the freezing order is not considered in our valuation. Encumbrances such as mortgage or freezing order is a type of title defect related to legal issue. We are unable to quantify the legal effect on the property and hence we are unable to comment whether encumbrances such as freezing order may or may not materially affect the valuation amount. As such, according to the HKIS Valuation Standards 2020 Edition, we may only assess the market value of a property disregarding any encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2024 *RMB*
2.	35 residential units and 2 commercial units of Qinchun Xinju (Lot No. (2019) No.19) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	This property comprises 35 residential units and 2 commercial units of a 6 blocks of 11-storey residential building completed in about 2021. The total gross floor area of this property is approximately 4,621.87 sq. m.. The land use rights of this property were granted for a term expiring on 17 December 2089 for residential use and 17 December 2059 for commercial use.	This property was vacant as at the Valuation Date.	17,600,000

Notes:

1. Pursuant to 3 Real Estate Ownership Certificates Ji (2019) Luan Ping Xian Bu Dong Chan Quan No. 0002352, this property with a total site area of approximately 32,411 sq. m. were granted to Luanping Huawei Real Estate Development Co., Ltd.* (灤平華偉房地產開發有限公司), a subsidiary of the Group for a term with the expiry date on 17 December 2089 for residential use and 17 December 2059 for commercial use.

2. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c1130824-2019-23) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Huawei Real Estate Development Co., Ltd. (Party B) dated 18 December 2019, the land use rights of this property with a total site area of approximately 32,411 sq. m. were granted from Party A to Party B for a term of 70 years for residential use and 40 years for commercial uses for a consideration of RMB16,540,000. The unit after completion can only be sold at RMB3,800 per sq. m.. The salient terms related to the development conditions of this property are as below:

Total gross floor area	:	Not more than approximately 42,134.30 sq. m.
Plot ratio	:	Not more than 1.3
Site coverage	:	Not more than to 30%
Building height	:	Not higher than 36 meters
Greenery ratio	:	Not less than 30%
Selling price	:	RMB3,800 per sq. m.

3. This property is situated at Bakeshiying Town in Luanping County, buildings in the locality are low to medium-rise residential buildings. Gubeikou Railway Station and Beijing Capital International Airport are about 20-minute and 2-hour driving distance from this property respectively. Taxis and buses are accessible to this property.

4. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) Luanping Huawei Real Estate Development Co., Ltd. is the current registered owner of this property and are entitled to occupy, transfer, lease and mortgage this property except those stated in 4(b);

   (b) This property is subject to mortgage. If this property is transferred, the mortgagee must be notified. According to regulations, the mortgagee who may damage the mortgage rights if the mortgaged property is transferred may require the mortgagor to use the proceeds from the transfer to pay off the debt in advance;

   (c) This property is subject to the constraint stated in the State Owned Construction Land Use Rights Grant Contract that all the units are used for resettlement with the specified resettle selling price RMB3,800 per sq. m.; and

   (d) the following legal documents were obtained:

i.	Real Estate Ownership Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes

5. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

6. Market Value of this property is calculated by the specified resettle selling price RMB3,800 per sq. m. multiply by 4,621.87 sq. m. which equal to RMB17,600,000.

VALUATION REPORT

Group II – Properties held for development

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2024 *RMB*
3.	A construction site (Lot Nos. 23109900012, 23109900013, 23109900014, 320116011005GB00007, 320116011005GB00008, 320116011005GB00011, 320116010016GB00017, 320116011005GB00020, 320116011005GB00013, 320116011005GB00012, 320116010016GB00018, 320116011005GB00006, 320116011005GB00005 and 320116011005GB00009) of Quanyue Chunfengju located at Naishan, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC	This property comprises 14 land parcels with a total site area of approximately 239,666.29 sq. m. together with the construction works in progress thereon. As advised by the Company, this property will be developed into a low-rise comprehensive development with a total estimated gross floor area of approximately 258,581.56 sq. m. (exclusive of basement with a total gross floor area of approximately 81,665.8 sq. m.). This property is expected to be completed in 2025. The land use rights of this property were granted for various terms with the latest expiry date on 23 October 2083 for residential and commercial uses.	This property was under construction as at the Valuation Date.	1,115,000,000 (See on Notes 11, 13 and 14) **Value for sale under repossession in existing state as at 31 March 2024** *RMB* 780,500,000 (See on Notes 9 and 10)

Notes:

1. Pursuant to 14 State Owned Land Use Rights Certificates, the land use rights of this property with a total site area of approximately 239,666.29 sq. m. were granted to Nanjing Yuanding Real Estate Co., Ltd.* (南京源鼎置業有限公司) for various terms with the latest expiry date on 23 October 2083 for residential and commercial uses. The details are as follows:

State Owned Land Use Rights Certificates	Approximate site area	Issuing Dates	Permitted land uses	Tenure expiry dates
(Document Nos.)	*(sq. m.)*			
Ning Liu Guo Yong (2010) No. 00868	32,596.70	31 March 2010	mixed residential	25 March 2080
Ning Liu Guo Yong (2010) No. 00869	11,549.90		commercial and finance	25 March 2050
Ning Liu Guo Yong (2010) No. 00870	4,102.60			
Ning Liu Guo Yong (2014) No. 14210	23,380.00	10 September 2014	mixed residential	residential: 23 October 2083 commercial: 23 October 2053
Ning Liu Guo Yong (2014) No. 14211	8,934.08			
Ning Liu Guo Yong (2014) No. 14212	4,097.06			
Ning Liu Guo Yong (2014) No. 14214	17,404.44			
Ning Liu Guo Yong (2014) No. 14215	18,403.27			

State Owned Land Use Rights Certificates	Approximate site area	Issuing Dates	Permitted land uses	Tenure expiry dates
Ning Liu Guo Yong (2014) No. 14320	13,796.49	12 September 2014	mixed residential	residential: 23 October 2083 commercial: 23 October 2053
Ning Liu Guo Yong (2014) No. 14399	33,374.01			
Ning Liu Guo Yong (2014) No. 14400	20,900.45	11 September 2014		
Ning Liu Guo Yong (2014) No. 14419	15,952.58	15 September 2014		
Ning Liu Guo Yong (2014) No. 14420	9,029.03			
Ning Liu Guo Yong (2014) No. 14421	26,145.68			
Total	**239,666.29**			

2. Pursuant to a State Owned Land Use Rights Grant Contract entered into between the State Owned Land Resource Bureau (Liuhe Branch), Nanjing City, Jiangsu Province (Party A) and Nanjing Yuanding Real Estate Co., Ltd. (Party B) dated 18 January 2010, the land use rights of 3 land parcels of this property with a total site area of approximately 48,249.2 sq. m. were granted from Party A to Party B for terms of 70 years and 40 years for residential and commercial uses respectively. The salient terms related to the development conditions of this property are as below:

		Land parcel 1	Land parcel 2	Land parcel 3
Land use	:	Residential	Commercial and finance	Commercial and finance
Plot Ratio	:	Less than or equal to 0.75	Less than or equal to 1.5	Less than or equal to 1.5
Site Coverage	:	Less than or equal to 20%	Less than or equal to 35%	Less than or equal to 35%
Greenery Ratio	:	Not less than 50%	Not less than 30%	Not less than 30%
Building Height	:	Not higher than 12 meters	Not higher than 18 meters	Not higher than 18 meters

3. Pursuant to a State Owned Land Use Rights Grant Contract entered into between the State Owned Land Resource Bureau (Liuhe Branch), Nanjing City, Jiangsu Province (Party A) and Nanjing Yuanding Real Estate Co., Ltd. (Party B) dated 29 July 2011, the land use rights of the remaining 11 land parcels of this property with a total site area of approximately 191,417.09 sq. m. were granted from Party A to Party B for terms of 70 years and 40 years for residential and commercial uses respectively. The salient terms related to the development conditions of this property are as below:

Land use	:	Residential except detached house
Plot Ratio	:	More than 1 and less than or equal to 1.1
Site Coverage	:	Less than or equal to 35%
Building Height	:	Not higher than 12 meters
Greenery Ratio	:	Not less than 30%

4. This property is situated at Naishan in Liuhe District of Nanjing City, buildings in the locality are low to medium-rise residential/commercial buildings. Nanjing Liuhe Railway Station and Nanjing Lukou International Airport are about 30-minute and 1-hour driving distance from this property respectively. Taxis and buses are accessible to this property.

5. According to the development proposal provided by the Company, the proposed development (the "Proposed Development") will comprise low-rise comprehensive development, which consists of residential, commercial and hotel apartment/service apartment developments with a total estimated gross floor area of approximately 258,581.56 sq. m. (exclusive of basement with a total gross floor area of approximately 81,665.8 sq. m.).

6. According to information provided by the Company, the incurred construction cost of this property (excluding the land cost) as at the Valuation Date is approximately RMB841,000,000.

7. The market value of this property after completion of the development according to the development proposal provided by the Company as at the Valuation Date is approximately RMB3,405,600,000.

8. In Nanjing City, the government authority with oversight over land and property transactions is the Nanjing Housing Security and Property Bureau* (南京市住房保障和房產局) (the "Nanjing Housing Bureau"). We have exhausted our efforts in identifying/searching for historical transaction records for properties of similar type to this property in Nanjing City by making in-person enquiry with the Nanjing Housing Bureau and reviewing its website (https://fcj.nanjing.gov.cn/), and noted that no such information is available to the public. Besides, according to our experience in various cities in the PRC, no historical property transaction records (except for land transactions) are available to the public. As such, we have identified and analysed the listing prices (which are available to the public) of comparables properties that have similar characteristics as this property, and adopted such listing prices in valuing this property using the market approach which is a common industry practice. Based on the above, we consider that the adoption of market approach based on the listing price of comparable properties is fair and reasonable.

The listing comparables were gathered on 11 April 2024, i.e. the Date of Research, in order of listing date from the newest to the oldest. The comparables selected were based on the selection criteria as shown in the comparable tables below according to the type of property within a time frame ranging from six to twelve months from the Date of Research depending on the property type. As this property is a new development/ first hand property, we first searched for first hand property listing comparables. If there are insufficient first hand listing comparables to form a sufficient basis for our assessment, we will continue to search for second hand property listing comparables. After the listing comparables were identified, we have conducted enquiries with local developer/real estate brokers confirming that (i) the listing comparables were listed and available for sale as at the Valuation Date; and (ii) the listing prices/rents were effective on the Valuation Date. We selected comparables starting from the listings in the most recent month from the Date of Research and extending monthly until sufficient comparables (at least 3) were obtained. In the event that there were more than one comparable in the same month, all such comparables were taken. Notwithstanding the date of latest update of the listing comparables may be subsequent to the Valuation Date, given that we have obtained the abovesaid confirmation from local developer/ real estate brokers, the listing comparables represent relevant market information as at the Valuation Date. Therefore, the date of latest update of the listing comparables and the Date of Research has no bearing on the validity of the said information as at the Valuation Date.

Based on the selection criteria shown in the comparables tables, comparables selected are exhaustive. The unit rate is calculated by dividing listing price by gross floor area of these comparables. In addition to the adjustment for discount to listing price, adjustments are also made to reflect the differences in various aspects between the comparables and the subject property, including time and location to arrive at the adjusted unit rates. The general basis of adjustment is that if the comparable property is superior to the subject property, a downward adjustment is made, vice versa.

Adjustment factors

Time:	Time adjustments reflect differences in market conditions between the valuation date and the dates of comparables. For the car parking spaces, according to our site inspection with local real estate brokers, the car parking space of residential development in Liuhe district is stable in past year. Therefore no adjustment is made in this factor. As we have confirmed with local developer/ real estate brokers that the listing comparables were listed and available for sale, and the listing prices/ rents were effective, both as at the Valuation Date, there is no time adjustment necessary for the listing comparables.
Location:	Location is adjusted based on the surroundings and accessibility of the property and comparables.
Size:	In general, the unit rate of a property with a small area is higher than that of a property with a large area and vice versa.
Discount to listing price:	Listing prices of second-hand properties are typically subject to negotiation and do not necessarily represent the actual transacted prices. As such, adjustment has been made to the listing prices of second-hand comparable properties. In the absence of publicly available historical transaction records as mentioned above, we are unable to analyse the differences between listing prices and actual transacted prices of historical second-hand property transactions. We have made enquiries with the local real estate brokers and was given to understand that the listing prices of the above second-hand comparable properties are negotiable to a small degree, say about 5%. Based on the above and our understanding of the prevailing market condition, we have adopted a downward adjustment of 5% as discount to listing price. No adjustment has been made to the listing prices of new developments/first-hand comparable properties because there are typically not much room for negotiation for such properties.
Decoration:	Residential apartment and residential townhouse are not decorated with fixtures and/or fittings. No adjustment is made to comparables without decoration and a downward adjustment is made to comparables with decoration. Hotel apartment/service apartment are decorated with fixtures and/or fittings. No adjustment is made to comparables with decoration and an upward adjustment is made to comparables without decoration. This adjustment factor is not applicable to commercial units and car parking spaces as no decoration is included for these property types.

Details of the comparable properties and adjustments are as follows.

In respect of residential apartment (decoration not included)

Residential apartment	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Liuhe District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Residential apartment	Residential apartment	Residential apartment
Gross floor area *(sq. m.)*	120	133.1	101
Date of latest update of listing prior to Date of Research	Sep 2023	Mar 2024	Dec 2023
Listing price *(RMB)*	2,120,000	2,370,000	1,260,000
Listing price unit rate *(RMB/sq. m.)*	17,667	17,806	12,475
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar rural area but located in the subway area and has better accessibility than the subject property (downward adjustment)*	*Similar rural area but located in the subway area and has better accessibility than the subject property (downward adjustment)*	*Similar rural area but located in the subway area and has better accessibility than the subject property (downward adjustment)*
Size#	*Upward adjustment*	*Upward adjustment*	*Downward adjustment*
Decoration	*Decoration included (downward adjustment)*	*Decoration not included (nil adjustment)*	*Decoration included (downward adjustment)*
Total adjustment (rounded)	-29.9%	-19.8%	-30.1%
Adjusted unit rate *(RMB/sq. m.)*	12,384	14,286	8,721
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**11,500**		
Gross floor area of residential apartment *(sq. m.)*	35,505.75		

Reference gross floor area: 110 sq. m., being the gross floor area of the most common unit type of residential apartments of the subject property after completion.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within September 2023 to March 2024

In respect of residential townhouse (decoration not included)

Residential townhouse	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Lishui District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Residential townhouse	Residential townhouse	Residential townhouse
Gross floor area *(sq. m.)*	316	219	144
Date of latest update of listing prior to Date of Research	Nov 2023	Dec 2023	Sep 2023
Listing price *(RMB)*	5,176,080	3,157,104	1,840,000
Listing price unit rate *(RMB/sq. m.)*	16,380	14,416	12,778
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Similar rural area and accessibility as subject property* (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Downward adjustment*
Decoration	*Decoration not included (nil adjustment)*	*Decoration not included (nil adjustment)*	*Decoration not included (nil adjustment)*
Total adjustment	0.7%	-0.3%	-1.1%
Adjusted unit rate *(RMB/sq. m.)*	16,488	14,371	12,642
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**12,500**		
Gross floor area of residential townhouse *(sq. m.)*	188,349.96		

* The subject property and comparables are located in the rural area of Nanjing City with similar accessibility, we considered they are located in the similar locality.

\# Reference gross floor area: 250 sq. m., being the gross floor area of the most common unit type of residential townhouses of the subject property after completion.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within September 2023 to December 2023

In respect of hotel apartment/ service apartment (decoration is included)

Hotel apartment/ service apartment	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Liuhe District, Nanjing City	Qixia District, Nanjing City	Liuhe District, Nanjing City
Usage	Hotel apartment/service apartment	Hotel apartment/service apartment	Hotel apartment/service apartment
Gross floor area *(sq. m.)*	100	63	70
Date of latest update of listing prior to Date of Research	Jan 2024	Mar 2024	Jan 2024
Listing price *(RMB)*	1,350,000	1,260,000	1,400,000
Listing price unit rate *(RMB/sq. m.)*	13,500	20,000	20,000
Adjustments to listing price unit rate:			
Discount to listing price	*First hand (nil adjustment)*	*First hand (nil adjustment)*	*First hand (nil adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Similar rural area and better accessibility than the subject property (downward adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Nil adjustment*
Decoration	*Decoration not included (upward adjustment)*	*Decoration included, same as subject property (nil adjustment)*	*Decoration included, same as subject property (nil adjustment)*
Total adjustment (rounded)	10.3%	-30.1%	0%
Adjusted unit rate *(RMB/sq. m.)*	14,891	13,986	20,000
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**14,500**		
Gross floor area of hotel apartment/ service apartment *(sq. m.)*	17,302.5		

\# Reference gross floor area: 70 sq. m., being the gross floor area of the most common unit type of hotel apartment/ service apartment of the subject property after completion.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within January 2024 to March 2024

In respect of commercial units

Commercial	Comparable 1	Comparable 2	Comparable 3
Address	Liuhe District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Commercial	Commercial	Commercial
Date of latest update of listing prior to Date of Research	Jan 2024	Jan 2024	Jan 2024
Gross floor area *(sq. m.)*	75	40	35
Listing price *(RMB)*	1,000,000	550,000	450,000
Listing price unit rate *(RMB/sq. m.)*	13,333	13,750	12,857
Adjustments to listing price unit rate:			
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Size#	*Upward adjustment*	*Downward adjustment*	*Downward adjustment*
Total adjustment (rounded)	-4.9%	-5.2%	-5.3%
Adjusted unit rate *(RMB/sq. m.)*	12,687	13,035	12,182
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**12,500**		
Gross floor area of commercial units *(sq. m.)*	2,065		

Reference gross floor area: 60 sq. m., being the gross floor area of the most common unit type of commercial units of the subject property after completion. As the development plan has not been formulated yet, it is assumed that the commercial units will be sold individually.

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within January 2024.

In respect of car parking spaces

Car parking space	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Liuhe District, Nanjing City	Liuhe District, Nanjing City	Liuhe District, Nanjing City
Usage	Car parking space	Car parking space	Car parking space
Date of latest update of listing prior to Date of Research	Aug 2023	Aug 2023	Aug 2023
Listing price *(RMB)*	65,000	60,000	89,800
Adjustments to listing price unit rate:			
Discount to listing price	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*	*Second hand (downward adjustment)*
Time	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*	*Listed as at Valuation Date (nil adjustment)*
Location	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*	*Same rural area and similar accessibility as subject property (nil adjustment)*
Total adjustment	–5%	–5%	–5%
Adjusted unit rate *(RMB/car parking space)*	61,750	57,000	85,310
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables, further adjusted based on our understanding of the market *(RMB/sq. m.)*	**66,000**		
No of car parking space	2,042		

Comparables selection criteria:

a. located at similar location with this property;
b. similar usage with this property; and
c. listed and available for sale as at the Valuation Date.

Based on the above, the latest dates of listing of the comparables fall within August 2023.

Based on the analysis of the comparables, the adopted unit rates in the course of our valuation of this property for residential apartment, residential townhouse, hotel apartment/service apartment and shops are RMB11,500 per sq. m., RMB12,500 sq. m., RMB14,500 per sq. m. and RMB12,500 per sq. m. respectively and the adopted unit rate of car parking spaces is RMB66,000 each. The total market value of this property after completion is then calculated by adjusted unit rates multiplied by the estimated total gross floor areas of each portion, adding the total transaction price of the pre-sold units, which is approximately RMB3,405,600,000.

The estimated outstanding cost to complete the Proposed Development of RMB2,927,600,000, which is made reference to our internal construction cost market research, together with relevant tax and time cost are then deducted from the total market value of this property after completion. By adding the incurred construction cost of this property of RMB841,000,000 as at the Valuation Date, we arrived the total value of this property as at the Valuation Date at RMB1,115,000,000.

Item	*RMB*	*RMB*
1. Value of pre-sold residential townhouse after completion *(Note)*	243,700,000	
2. Value of residential apartment after completion	408,300,000	
3. Value of residential townhouse after completion	2,342,100,000	
4. Value of hotel apartment/service apartment after completion	250,900,000	
5. Value of shop after completion	25,800,000	
6. Value of car parking space after completion	134,800,000	
7. Value of this property after completion (Sum of items 1 to 6)		3,405,600,000
8. Development cost	1,912,000,000	
9. Relevant development cost such as professional fee, finance, developer profit etc	1,015,600,000	
10. Tax related to the subject property	190,000,000	
11. Time cost (discount at 5.25% with reference to the People's Bank of China lending rate for 1 year, which is the estimated time for completion)	14,000,000	
12. Total estimated outstanding cost (Sum of items 8 to 11)		3,131,600,000
13. Construction cost incur as at the Valuation Date		841,000,000
14. Market value of this property as at the Valuation Date (item 7 minus item 12 and add item 13)		1,115,000,000

Notes:

1. This comprises residential townhouse for which (i) sale and purchase agreement has been signed, representing approximately RMB150.5 million in aggregate; and (ii) property subscription agreement has been signed, representing approximately RMB93.2 million in aggregate. Under the property subscription agreement, the buyer paid a deposit to purchase the subject unit at an agreed price, subject to the signing of a sale and purchase agreement.

2. This represents the capital value after completion of this property.

9. As stated in the letter from the Board in Page 19 of this circular, the Company has considered the factors including the default of the Nanjing Project Company on the scheduled settlement of the bank loan which is secured by such property interests and the disposal of the bank loan as non-performing assets by the bank, the Company has further instructed us to assess the value for sale under repossession. The value for sale under repossession is assessed with reference to the percentage difference between actual judicial transaction price of a foreclosed property and the market value assessed by a qualified valuer appointed by the relevant judiciary. The comparables selected were based on the following criteria:

   a. posting on the Alibaba Judicial Auction website;
   b. transaction under judicial auction; and
   c. transaction date from July 2023 to the Date of Research, which we consider is sufficient for our understanding of the discounts of recent judicial transactions and appropriate for assessment of the value for sale under repossession as at 31 March 2024.

   Based on the above selection criteria, comparables selected below are exhaustive. Details of the comparables of judicial transaction price are as follow:

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparables 5**	**Comparable 6**
Property	A parcel of land with various building erected thereon	A parcel of land	A parcel of land with various building erected thereon	Various units including residential units, commercial units and basement	A parcel of land with various building erected thereon	A parcel of land with various building erected thereon
Address	Suzhou City, Jiangsu Province	Xuzhou city, Jiangsu Province	Chongqing City	Fu'an City, Fujian Province	Guangzhou City, Guangdong Province	Longnan City, Gansu Province
Usage	Residential	Residential and commercial	Residential and commercial	Residential and commercial	Commercial	Residential and commercial
Date of Transaction	Jan 2024	Dec 2023	Oct 2023	Sep 2023	Jan 2024	July 2023
Valuation *(RMB)*	1,376,587,500	255,895,800	286,516,800	179,063,400	892,285,932	242,748,600
Transaction *(RMB)*	1,170,099,380	179,209,977	204,859,512	100,276,000	499,680,123	169,960,000
Discount	15%	30%	29%	44%	44%	30%
Adopted discount (average discount of the comparables and rounded to the nearest 10%)		30%				
Source:	https://sf-item.taobao.com/sf_item/755252743832.htm?spm=a213w.7398504.paiList.7.6a06efd4D5hQ1z&track_id=9ccfbb74-9a75-4195-b8e9-fbd55f240bdf	https://sf-item.taobao.com/sf_item/750884980287.htm?spm=a213w.7398504.paiList.189.5a82efd49pNneC&track_id=c300e348-1bed-4be6-a1be-eb441c453aab	https://sf-item.taobao.com/sf_item/736220616909.htm?spm=a213w.7398504.paiList.40.5ea0efd4fPepSQ&track_id=c69225c9-ef4c-4f31-9b5d-1897b5dd66be	https://sf-item.taobao.com/sf_item/738697539914.htm?spm=a213w.7398504.paiList.46.5ea0efd4fPepSQ&track_id=c69225c9-ef4c-4f31-9b5d-1897b5dd66be	https://sf-item.taobao.com/sf_item/736599767894.htm?spm=a213w.7398504.paiList.31.4e44efd4ifJyus&track_id=16289215-b723-433f-ab3b-b126bf6b4d28	https://sf-item.taobao.com/sf_item/722235954147.htm?spm=a213w.7398504.paiList.14.502befd4rFZgYI&track_id=7e3a8588-63fe-486d-bc4c-64db67fdf0ff

10. We are of the opinion that the value for sale under repossession of this property as at the Valuation Date is RMB780,500,000.

11. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) This property is subject to mortgage. According to the mortgage agreement signed in between Nanjing Yuanding Real Estate Co., Ltd and Guangzhou Bank Nanjing Branch Limited, a written approval is needed if this property is transferred, leased and re-mortgaged;

   (b) Nanjing Yuanding Real Estate Co., Ltd is the current registered owner of this property and is entitled to occupy, transfer, lease and mortgage this property subject to a written approval from Guangzhou Bank Nanjing Branch Limited;

(c) 4 parcels of land with a total site area of approximately of 62,823 sq. m.is subject to freezing order made by the court in respect of a maximum assets value of RMB20 million for a period of three years ending December 2026, which may be discharged upon, among others, (i) the freezing order of the property is not involved in the case, (ii) the plaintiff withdraw the application or waiving his obligation, (iii) the frozen assets failed to be sold at judicial auction or judicial sale, (iv) the claimed amount being repaid, (v) other guarantee being made by the defendant and accepted by the plaintiff in place of the frozen assets and (vi) in such situations where the court considers the freezing order should be discharged. and those parcel of land cannot be transferred;

(d) If the freezing order is discharged, the registered owner of this property is entitled to occupy, transfer, lease and mortgage this property; and

(e) the following legal documents were obtained:

i.	Real Estate Ownership Certificate	Yes
ii.	Construction Land Planning Permit	Yes
iii.	Construction Works Planning Permit	Yes
iv.	Construction Works Commencement Permit	Yes
v.	Commodity House Pre-sale Permit	Yes

12. As advised by the Company, 4 parcels of land under freezing order stated in Note 11(c) are under construction which include residential development and hotel apartment/service apartment according to the development proposal.

13. In the course of our valuation, we have been aware of the freezing order stated in Note 11(c), however, no allowance has been made for any damage or loss to the legal title of this property in respect of the freezing order.

14. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

15. In the course of our valuation, we have assessed the market value of the Properties according to the HKIS Valuation Standards 2020 Edition 5.3.15 "When assessing the market value of a property, any encumbrances such as mortgage, debenture or other charges against it should be disregarded." Hence, the freezing order is not considered in our valuation. Encumbrances such as mortgage or freezing order is a type of title defect related to legal issue. We are unable to quantify the legal effect on the property and hence we are unable to comment whether encumbrances such as freezing order may or may not materially affect the valuation amount. As such, according to the HKIS Valuation Standards 2020 Edition, we may only assess the market value of a property disregarding any encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2024 *RMB*
4.	3 parcels of land (Lot No. (2020) Nos. 32, 48 and 49) located at Bakeshiying Village and Shanshenmiao Village, Bakeshiying Town, Luanping County, Chengde City, Hebei Province, the PRC	This property comprises 3 land parcels with a total site area of approximately 108,688 sq. m. As advised by the Company, this property will be developed into a low to medium-rise comprehensive development with a total estimated gross floor area of approximately 118,569 sq. m. The land use rights of this property were granted for various terms with the latest expiry date on 24 January 2091 for residential and commercial uses.	This property was vacant as at the Valuation Date.	156,100,000

Notes:

1. Pursuant to 3 Real Estate Ownership Certificates, the land use rights of Lot No. (2020) Nos. 32, 48 and 49 of this property with a total site area of approximately 108,688 sq. m. were granted to various subsidiaries of the Group for various terms with the latest expiry date on 24 January 2091 for residential and commercial uses. The details are as follows:

Real Estate Ownership Certificates *(Document Nos.)*	Grantee	Approximate site area *(sq. m.)*	Issuing Dates	Permitted land uses	Tenure Expiry Dates
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No.0000006 (Lot Nos. (2020) No.32)	Luanping Qianyang Real Estate Development Co., Ltd.* (灤平乾陽房地產開發有限公司)	45,450	4 January 2021	Commercial	10 December 2060
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No.0000205 (Lot No.(2020) No.48)	Luanping Huayang Real Estate Development Co., Ltd.* (灤平華陽房地產開發有限公司)	9,945	26 January 2021	Residential Commercial	20 January 2091 20 January 2061
Ji (2021) Luan Ping Xian Bu Dong Chan Quan No. 0005572 (Lot No.(2020) No.49)	Luanping Huayang Real Estate Development Co., Ltd.* (灤平華陽房地產開發有限公司)	53,293	27 July 2021	Residential Commercial	24 January 2091 24 January 2061

2. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c11130824-2020-28) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Qianyang Real Estate Development Co., Ltd. (Party B) dated 23 November 2020, the land use rights of Lot No.(2020) No.32 of this property with a total site area of approximately 45,450 sq. m. were granted from Party A to Party B for a term of 40 years for commercial uses for a consideration of RMB115,500,000. The salient terms related to the development conditions of this property are as below:

Total Gross Floor Area	:	Not more than approximately 36,360 sq. m.
Plot Ratio	:	Not more than 0.8
Site Coverage	:	Not more than to 40%
Building Height	:	Not higher than 24 meters
Greenery Ratio	:	Not less than 25%

3. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c1130824-2021-02) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Huayang Real Estate Development Co., Ltd. (Party B) dated 21 January 2021, the land use rights of Lot No.(2020) No.48 of this property with a total site area of approximately 9,945 sq. m. were granted from Party A to Party B for terms of 70 and 40 years for residential and commercial uses respectively, for a consideration of RMB18,440,000. The salient terms related to the development conditions of this property are as below:

Total Gross Floor Area	:	Not more than approximately 12,928.5 sq. m.
Plot Ratio	:	Not more than 1.3 and not less than 1
Site Coverage	:	Not more than to 30%
Building Height	:	Not higher than 36 meters
Greenery Ratio	:	Not less than 30%

4. Pursuant to a State Owned Construction Land Use Rights Grant Contract (Contract No. c1130824-2021-01) entered into between the Natural Resource and Planning Bureau, Luanping County (Party A) and Luanping Huayang Real Estate Development Co., Ltd. (Party B) dated 21 January 2021, the land use rights of Lot No.(2020) No.49 of this property with a site area of approximately 53,293 sq. m. were granted from Party A to Party B for terms of 70 and 40 years for residential and commercial uses respectively, for a consideration of RMB98,800,000. The salient terms related to the development conditions of this property are as below:

Total Gross Floor Area	:	Not more than approximately 69,280.9 sq. m.
Plot Ratio	:	Not more than 1.3 and not less than 1
Site Coverage	:	Not more than to 30%
Building Height	:	Not higher than 36 meters
Greenery Ratio	:	Not less than 30%

5. This property is situated at Bakeshiying Town in Luanping County, buildings in the locality are low to medium-rise residential buildings. Gubeikou Railway Station and Beijing Capital International Airport are about 20-minute and 2-hour driving distance from this property respectively. Taxis and buses are accessible to this property.

6. According to the development proposal provided by the Company, the proposed development (the "Proposed Development") will comprise a low to medium-rise comprehensive development with a total estimated gross floor area of approximately 118,569 sq. m. Notwithstanding the above, as the property is not in the process of being developed and there is no detailed plan for the development of the property, there is no estimated capital value after completion as at the Valuation Date.

7. In undertaking our valuation to this property, we have identified and analysed various completed land transactions with similar characteristics as this property. The comparables selected were based on the following criteria:

   a. located at similar location with this property;
   b. similar usage with this property;
   c. site area not less than 7,500 sq. m. for residential and site area not less than 10,000 sq. m. for commercial; and
   d. transaction date from Mar 2022 to Mar 2024 (residential land) and from July 2022 to Mar 2024 (commercial land).

Based on the above selection criteria, comparables selected below are exhaustive. The unit rate is calculated by dividing consideration by gross floor area of these comparables. Adjustments reflected the differences in various aspects between the comparables and the subject property, including time and location to arrive at the adjusted unit rates. The general basis of adjustment is that if the comparable property is superior to the subject property, a downward adjustment is made, vice versa.

Adjustment factors

Time:	Time adjustments reflect differences in market conditions between the valuation date and the transaction dates of comparables. According to our site inspection and our discussion with the local real estate brokers, the property market in Luanping County is stable in past two years. Therefore no adjustment is made in this factor.
Location:	Location is adjusted based on the surroundings and accessibility of the property and comparables.
Size:	In general, the unit rate of a property with a small area is higher than that of a property with a large area and vice versa. Adjustment made is based on the site area of the property and the comparables.
Tenure:	Tenure adjustment is made to reflect the difference between the remaining lease term of the subject property as at the Valuation Date and the lease term of a new land grant. The sooner the lease is to expire, the larger the downward adjustment would be applied.

Details of the comparable properties and adjustments are as follows.

Residential Land	**Comparable 1**	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**
Address	Luanping County	Luanping County	Luanping County	Luanping County	Luanping County
Usage	Residential	Residential	Residential	Residential	Residential
Date of transaction	Aug 2023	Feb 2023	Jan 2023	Sep 2022	Mar 2022
Tenure	70	70	70	70	70
Site area *(sq. m.)*	9,213	7,952	14,000	27,387	69,932
Gross floor area *(sq. m.)*	13,820	15,904	28,000	54,774	104,898
Consideration *(RMB)*	7,440,000	28,630,000	33,600,000	67,990,000	190,130,000
Unit rate per gross floor area *(RMB/sq. m.)*	538	1,800	1,200	1,241	1,813
Adjustment to unit rate per gross floor area:					
Time	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*
Location	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*
Size#	*Downward adjustment*	*Downward adjustment*	*Downward adjustment*	*Downward adjustment*	*Upward adjustment*
Total adjustment (rounded)	-5.4%	-5.5%	-4.9%	-3.6%	0.7%
Adjusted unit rate *(RMB/sq. m.)*	509	1,700	1,141	1,197	1,825
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables as basis and further adjusted with our understanding to the market *(RMB/sq. m.)*	**1,300**				
Tenure adjustment*	-0.4%				
Gross floor area of the residential land *(sq. m.)*	82,209.4				
Market value of the residential land *(RMB)*	**106,400,000**				

\# Reference site area: 63,238 sq. m., being the aggregate site area of the residential land of the subject property.

* the remaining lease term of the residential land of the subject property is around 66.81 years as at the Valuation Date.

Commercial Land	**Comparable 1**	**Comparable 2**	**Comparable 3**
Address	Luanping County	Luanping County	Luanping County
Usage	Commercial	Commercial	Commercial
Date of transaction	Nov 2023	Jan 2023	July 2022
Tenure	40	40	40
Site area *(sq. m.)*	16,203	16,827	36,562
Gross floor area *(sq. m.)*	8,102	13,462	91,405
Consideration *(RMB)*	18,270,000	15,860,000	86,650,000
Unit rate per gross floor area *(RMB/sq. m.)*	2,255	1,178	948
Adjustment to unit rate per gross floor area:			
Time	*stable market (nil adjustment)*	*stable market (nil adjustment)*	*stable market (nil adjustment)*
Location	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*	*Similar area as subject property (nil adjustment)*
Size	*Downward adjustment*	*Downward adjustment*	*Downward adjustment*
Total adjustment (rounded)	–2.92%	–2.86%	–0.9%
Adjusted unit rate *(RMB/sq. m.)*	2,189	1,144	940
Adopted unit rate for the subject property with reference to the average of the adjusted unit rate of the comparables as basis and further adjusted with our understanding to the market *(RMB/sq. m.)*	**1,400**		
Tenure adjustment*	-2.3%		
Gross floor area of the commercial land *(sq. m.)*	36,360		
Market value of the commercial land *(RMB)*	**49,700,000**		

[#] Reference site area: 45,450 sq. m., being the site area of the commercial land of the subject property.

* the remaining lease term of the commercial land of the subject property is 36.7 years as at the Valuation Date.

8. We have been provided with a legal opinion on this property prepared by the Company's PRC legal adviser, Beijing Zhong Lun (Shenzhen) Law Firm, which contains, inter alia, the following information:

   (a) Luanping Qianyang Real Estate Development Co., Ltd. and Luanping Huayang Real Estate Development Co., Ltd. are the current registered owner of this property and are entitled to occupy, transfer, lease and mortgage this property except those stated in Note 8(c);

   (b) this property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of this property except those stated in Note 8(c);

(c) A parcel of land with a site area of approximately of 53,293 sq. m. is subject to mortgage. If this land is transferred, the mortgagee must be notified. According to regulations, the mortgagee who may damage the mortgage rights if the mortgaged property is transferred may require the mortgagor to use the proceeds from the transfer to pay off the debt in advance;

(d) the Company has not commenced the development of this property within the timeframe specified in the respective State Owned Construction Land Use Rights Grant Contract and has not applied to postpone the commencement of construction. Therefore, the Company is subject to the risk of penalty payment or forfeiture to the PRC government; and

(e) the following legal documents were obtained:

i.	Real Estate Ownership Certificate	Yes
ii.	Construction Land Planning Permit	No
iii.	Construction Works Planning Permit	No
iv.	Construction Works Commencement Permit	No

9. In the course of our valuation, we have assumed that this property is freely transferable to any third party in the open market without payment of any land premiums or any incidental costs.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Shares and underlying Shares

As at the Latest Practicable Date, except for Mr. Lim Kim Chai, the non-executive Director of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

The interests of Mr. Lim Kim Chai in shares of the Company as at the Latest Practicable Date, was disclosed in the section titled "Substantial Shareholders' interests in the Shares and underlying Shares."

(b) Substantial Shareholders' interests in the Shares and underlying Shares

As at the Latest Practicable Date, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of substantial shareholders in the shares and underlying shares

Name of shareholders	Capacity	Number of shares held	Approximate % of shareholding[1]
Low Thiam Herr	Beneficial owner	2,206,750,364	17.21%
Yang Bin[2]	Beneficial owner	2,102,817,178	16.40%
Lim Kim Chai, *J.P.*[3]	Beneficial owner	1,569,420,951	12.24%
Qiu Qing[4]	Interest of controlled corporation	1,259,861,773	9.82%
CITIC Securities Co., Ltd[5]	Interest of controlled corporation	678,387,108	5.29%

Notes

1. Based on 12,824,484,010 shares of the Company in issue as at the Latest Practicable Date.

2. On 1 August 2023, the Company and Mr. Yang Bin entered into an agreement, pursuant to which, among others, the Company agreed to allot and issue, and Mr. Yang Bin has agreed to subscribe for an aggregate of 2,102,817,178 shares at the issue price of HK$0.01 per share. The amount of the total consideration was fully set off against the other loan principal and accrued interest of approximately HK$21,028,000 owed by the Company to Mr. Yang Bin. The debt capitalisation was completed on 11 August 2023. For details, please refer to the announcements of the Company dated 1 August 2023 and 11 August 2023.

3. Mr. Lim Kim Chai, *J.P.* is the non-executive Director of the Company.

4. The 1,259,861,773 shares were held by Hong Kong Zhongzheng Investment Co. Ltd., which was controlled as to 38.46% by 深圳天基南聯投資合夥企業(有限合夥), which was in turn controlled as to 64% by Mr. Qiu Qing. Accordingly, Mr. Qiu Qing is deemed to be interested in the shares by virtue of Part XV of the SFO.

5. CITIC Securities Co., Ltd. holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd* by virtue of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

4. DIRECTORS' SERVICE CONTRACTS

Set out below are the service contracts between the Company and the Directors:

(a) Mr. Liu Liyang has entered into a service contract with the Company on 19 August 2010 as chief executive officer and executive Director for an initial term of one year and renewable automatically for one additional year, with a fixed remuneration of HK$3,000,000 per annum which has been adjusted to HK$1,800,000 per annum with effect from 1 April 2021, and a discretionary year-end bonus of an amount to be determined by the Board, which is determinable by 3 months' notice;

(b) Mr. Lim Kim Chai has entered into a service contract with the Company on 20 December 2019 as a non-executive Director with a remuneration of HK$120,000 per annum, which is subject to the rotation, removal, vacation or termination of office in accordance with the Bye-laws of the Company and is determinable by one month's notice;

(c) Mr. Hau Chi Kit has entered into a service contract with the Company on 7 March 2014 as an independent non-executive Director for an initial term of one year with a remuneration of HK$120,000 per annum which has been adjusted to HK$180,000 per annum with effect from 1 January 2023, which shall continue thereafter until terminated by either party by one month's notice;

(d) Mr. Leung Chi Hung has entered into a service contract with the Company on 13 December 2013 as an independent non-executive Director for an initial term of one year with a remuneration of HK$120,000 per annum which has been adjusted to HK$180,000 per annum with effect from 1 January 2023, which shall continue thereafter until terminated by either party by one month's notice; and

(e) Mr. Li Hon Kuen has entered into a service contract with the Company on 19 July 2013 as an independent non-executive Director for an initial term of one year with a remuneration of HK$120,000 per annum which has been adjusted to HK$180,000 per annum with effect from 1 January 2023, which shall continue thereafter until terminated by either party by one month's notice.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with the Company or any of its subsidiaries or associated companies which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, save for:

(a) the loan agreement dated 5 August 2019 (as amended and supplemented by the extension letter dated 4 November 2022 and 31 October 2023, respectively) entered into between Mr. Lim and the Company pursuant to which, among others, Mr. Lim has agreed to grant a loan facility to the Company with a principal amount of HK$20,000,000, bearing interest at a rate of 2.2% per annum and with the present due date falling on 31 December 2024; and

(b) the loan agreement dated 11 November 2019 (as amended and supplemented by the extension letters dated 4 November 2022 and 31 October 2023, respectively) entered into between Mr. Lim and the Company pursuant to which Mr. Lim has agreed to grant a loan facility to the Company with a principal amount of HK$230,000,000, bearing interest at a rate of 5% per annum and with the present due date falling on 31 December 2024,

there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group, since 30 June 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. MATERIAL LITIGATION

(a) In August 2023, a legal proceeding in the PRC was commenced pertaining to a letter of commitment (the "**Letter of Commitment**") alleged to have been entered into by Qianhai Zhongzheng and the Nanjing Project Company in favour of 江蘇宜農建設工程有限公司 (Jiangsu Yinong Construction Engineering Co., Ltd.*) ("**Jiangsu Yinong**", i.e. the Plaintiff) in July 2023, pursuant to which, among other things, (i) Qianhai Zhongzheng shall refund by August 2023 the deposit money (the "**Deposit Money**") which was supposed to constitute a performance bond in the sum of RMB15 million previously paid by Jiangsu Yinong to Qianhai Zhongzheng under a construction cooperation agreement purported to be entered into between 中鐵六局集團有限公司 (China Railway Sixth Group Co., Ltd.), a then proposed independent contractor of Qianhai Zhongzheng, and Jiangsu Yinong in April 2022; (ii) the Nanjing Project Company shall pledge seven properties of the Nanjing Project as security and shall carry out the relevant registration; and (iii) Qianhai Zhongzheng and the Nanjing Project Company shall be jointly liable for all liabilities under the Letter of Commitment if they have not carried out the agreed matters within the prescribed time limit. In the said legal proceeding, Jiangsu Yinong sought to enforce the Letter of Commitment and demanded, among other matters, (a) Qianghai Zhongzheng to refund the Deposit Money; and (b) the Nanjing Project Company, which has not pledged the said properties, to be jointly liable for the payment responsibility of Qianhai Zhongzheng for the Deposit Money together with the interest, counsel fees and fee for custody in relation to the proceeding. Upon Jiangsu Yinong's application, the People's Court of Huaiyin Area, Huai'an, Jiangsu Province has made a judgment in September 2023 ordering that, among other things, the bank account or other assets of the Nanjing Project Company for up to the amount of RMB20 million be frozen, pending the outcome of the said legal proceeding, and have subsequently in December 2023 ordered that four pieces of land owned by the Nanjing Project Company be subject to freezing order (i.e. the Nanjing Frozen Properties). As at the Latest Practicable Date, the said legal proceeding has been suspended. Based on the information available, the entering into of the Letter of Commitment was conducted under the name of an individual who had already resigned and ceased to be the legal representative and director of the Nanjing Project Company in March 2023, which was before the date of the Letter of Commitment, and the entering into of the Letter of Commitment was neither authorised nor approved by the shareholders of the Nanjing Project Company. As such, according to the PRC legal advisers, the Letter of Commitment shall have no legal effect on the Nanjing Project Company; and even if those obligations were found to be enforceable vis-a-vis the parties to the Letter of Commitment from civil liability perspective, in view of the contributory negligence on the part of Jiangsu Yinong, it is unlikely for the Nanjing Project Company to be held liable for the payment obligation to the full extent, and in the event the court determines that the Nanjing Project Company shall bear liabilities, the Nanjing Project Company may recover the same and claim damages from Qianhai Zhongzheng and/or the said former legal representative and director. The Board has been seeking legal advice on the possible follow up actions in order to secure and protect the interest of the Group.

(b) In January 2024, 深圳中證意科城市發展有限公司 (Shenzhen Zhongzheng Yike City Development Co., Ltd.*) ("**Shenzhen Yike**") has commenced legal proceeding in the PRC against Ruifeng and the Nanjing Project Company demanding confirmation of the rescission of an agreement dated 13 November 2019 entered into between Shenzhen Yike and Ruifeng relating to the transfer of 51% of equity interest in the Nanjing Project Company from Shenzhen Yike to Ruifeng (the "**Filing Document**") with effect from 2 February 2023. The Filing Document was an ancillary document related to the transactions contemplated under an agreement dated 6 July 2019 (the "**Main Agreement**") entered into among (i) Ruifeng as the purchaser; (ii) Qianhai Zhongzheng as the vendor; (iii) Huateng as the target company; (iv) the Dongguan Project Company; and (v) the Nanjing Project Company in relation to the acquisition of the entire equity interest in Huateng, currently a subsidiary of the Company, at a consideration of RMB200 million payable in the form of interest-free promissory note issued by the Company (the "**Promissory Note**"). For details of the Main Agreement, please refer to the announcement of the Company dated 7 July 2019 and the circular of the Company dated 18 September 2019. As at the Latest Practicable Date, the lawsuit is still ongoing. The Group has obtained advice from the PRC legal advisers on the possible defences and was given to understand that, among other things, (i) the Filing Document was only an ancillary document to the Main Agreement for registration purposes only which could not reflect the entire rights and responsibilities of the parties to the Main Agreement, and thus, Shenzhen Yike is not the right party to commence the proceeding; (ii) Shenzhen Yike is alleging that the Filing Document has been rescinded in 2023 on the basis that the Main Agreement has been terminated despite being well aware that it was not; (iii) Shenzhen Yike may not rely on the ground that the consideration of RMB200 million was not settled to claim the termination of the Main Agreement (and accordingly, the Filing Document) given that (1) the Company has already issued the Promissory Note to Qianhai Zhongzheng pursuant to the Main Agreement, and (2) Qianhai Zhongzheng has later on a separate occasion agreed to waive all its rights and claims under the Promissory Note (including all and any accrued interest payable thereunder) and deliver the Promissory Note to the Company for cancellation; and (iv) it is not in conformity with the principles of fairness for Ruifeng to be liable for the payment obligations of the Nanjing Project Company (as stated in paragraph (a) above) as a shareholder of the Nanjing Project Company if the 51% of equity interest in the Nanjing Project Company is transferred back to Shenzhen Yike. Accordingly, the Directors are of the view that the relevant subsidiaries have reasonable chance of success in the defence.

Saved as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation or claims of material importance is pending or threatened by or against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

During the two years preceding the date of the Disposal Announcement and up to the Latest Practicable Date, the Group entered into the following contracts, not being contracts entered into in the ordinary course of business of the Group carried on or intended to be carried on by the Group, and which are, or may be, material:

(1) the supplemental agreements dated 31 May 2022 and 30 September 2022, respectively, and various extension requests dated 15 June 2022, 30 June 2022, 29 July 2022, 1 September 2022 and 30 November 2022, respectively, between the Company, GPI (a direct wholly-owned subsidiary of the Company), Qianhai Zhongzheng and Hong Kong Zhongzheng Huijin Limited ("**HK Huijin**") (a wholly-owned subsidiary of Qianhai Zhongzheng) to extend the completion date under the disposal agreement dated 24 September 2021 entered into between the said parties (i.e. the 2022 Disposal Agreement), the consideration of which consisted of (i) cash consideration of approximately HK$308.4 million payable by HK Huijin to GPI; (ii) the Promissory Note of RMB 200 million assignable by Qianhai Zhongzheng to the Company (as nominee of GPI) for cancellation and set-off; and (iii) 1,938,248,881 Shares (being the consideration under a conditional sale and purchase agreement dated 14 September 2018 (as amended and supplemented by a supplemental agreement dated 19 December 2018) entered into between GPI and Qianhai Zhongzheng) transferable to the Company (as nominee of GPI);

(2) the extension letters dated 4 November 2022 and 31 October 2023, respectively entered into between the Company and Mr. Lim, pursuant to which, among others, Mr. Lim has agreed to extend the Shareholder's Loans to 31 December 2024, details of which are set out under the section headed "5. interests in the Group's assets or contracts or arrangements significant to the Group" above;

(3) the extension letters dated 3 November 2022 and 3 August 2023, respectively entered into between the Company and Mr. Leung, pursuant to which, among others, Mr. Leung has agreed to extend the loan in the amount of HK$300 million owed to him to 31 December 2024; and the novation agreement date 17 November 2023 entered into among the Company, Mr. Leung and Mr. Low, pursuant to which, among others, the said loan originally granted by Mr. Leung was assigned to Mr. Low;

(4) the subscription agreement dated 1 August 2023 between the Company and Mr. Yang Bin ("**Mr. Yang**") relating to, among others, the capitalisation of the outstanding loan principal and the interests accrued thereof owing by the Company to Mr. Yang in the sum of approximately HK$21.0 million, details of which are set out in the announcement of the Company dated 1 August 2023;

(5) the exclusive cooperation agreement dated 7 September 2023 between PT Bara entered into an exclusive cooperation agreement with PT NET, a company established under the laws of the Republic of Indonesia with limited liability, pursuant to which, among others, PT NET shall carry out mining activities at a coal mine in the Central Kalimantan Province in the Republic of Indonesia, details of which are set out in the announcement of the Company dated 7 September 2023; and

(6) the Disposal Agreement.

8. EXPERT AND CONSENT

The following are the names and qualifications of the experts who have given its opinions and advice which are included in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Graval Consulting Limited	Independent valuer
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, none of the experts above had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 June 2023, being the date to which the latest published audited financial statements of the Group were made up.

9. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is located at Room 1005, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(c) The secretary of the Company is Mr. Situ Min who is a fellow member of the Association of Chartered Certified Accountants and a member of Chinese Institute of Certified Public Accountants.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(e) This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 1005, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday, except Saturday, Sunday and public holidays; (ii) on the website of the Stock Exchange (http://www.hkexnews.hk); and (iii) on the website of the Company (www.eforce.com.hk), from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the eighteen months ended 30 June 2022 and the year ended 30 June 2023;

(c) the interim report of the Company for the six months ended 31 December 2023;

(d) the letter from the Board as set out in this circular;

(e) the letter from the Independent Board Committee containing its advice to the Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(f) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(g) the report by ZHONGHUI ANDA CPA Limited on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular;

(h) the report by ZHONGHUI ANDA CPA Limited on the reviewed financial information of the Disposal Group as set out in Appendix II to this circular;

(i) the Valuation Reports from the Valuer as set out in Appendix IV to this circular;

(j) the letters of consent as referred to in the paragraph headed "8. EXPERTS AND CONSENTS" in this appendix;

(j) the service contracts as referred to in the paragraph headed "4. DIRECTORS' SERVICE CONTRACTS" in this appendix;

(k) the material contracts as referred to in the paragraph headed "7. MATERIAL CONTRACTS" in this appendix; and

(l) this circular.

ZHONGZHENG INTERNATIONAL COMPANY LIMITED
中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Zhongzheng International Company Limited (the "**Company**") will be held at 11:00 a.m. on Friday, 19 July at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments), the following resolution as an ordinary resolution of the Company (words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular of the Company dated 28 June 2024 (the "**Circular**")):

ORDINARY RESOLUTION

1. "**THAT**:

   a. the entering into of the sale and purchase agreement (the "**Disposal Agreement**") dated 6 May 2024 between the Company and Grand Prominent International Limited ("**GPI**") as vendors and Mr. Lim Kim Chai ("**Mr. Lim**") as purchaser in relation to, among other matters,

      (1) the proposed disposal of the entire issued share capital of Hong Kong Zhongzheng City Investment Limited (the "**Disposal Company**") as at the date of the Disposal Agreement by GPI to Mr. Lim for a consideration of HK$53,689,580.45, which shall be satisfied by Mr. Lim by offsetting against the outstanding interest accrued on (i) the unsecured shareholder's loan owing by the Company to Mr. Lim in the principal amount of HK$20 million bearing interest at the rate of 2.2% per annum and (ii) the unsecured shareholder's loan owing by the Company to Mr. Lim in the principal amount of HK$230 million bearing interest at the rate of 5.0% per annum (collectively, the "**Shareholder's Loans**") owed by the Company to Mr. Lim up to the date of the Disposal Agreement on a dollar for dollar basis;

      (2) the proposed disposal of the unsecured loans and amount owed by 深圳市中證瑞豐管理有限公司 (Shenzhen Zhongzheng Ruifeng Management Co., Ltd.*) ("**Ruifeng**") to the Company as at the date of the completion of the Disposal (as defined below), being the aggregate of (i) the shareholder's loans owed by Ruifeng to the Company with outstanding principal amount of HK$139,099,040 and accrued interest of HK$35,049,316; and (ii) the amount due from Ruifeng to the Company under current account of HK$2,017,000, as at 30 June 2023 and up to the date of the Disposal Agreement, by the Company to Mr. Lim for a nominal cash consideration of HK$1 (together with (1) be referred to as the "**Disposal**"); and

(3) subject to and upon the completion of the Disposal, Mr. Lim extending the repayment date of the principal of the Shareholder's Loans (plus accrued interest) from 31 December 2024 to 31 December 2027,

(a copy of the Disposal Agreement is marked "**A**" and produced to the SGM and signed by the chairman of the SGM for identification purpose) and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed; and

b. any one director or (if affixing of seal is required) any two directors of the Company be and is hereby authorised for and on behalf of the Company, among other things, to sign, execute, perfect, deliver (including under seal where applicable) and to authorise the signing, executing, perfecting, delivering (including under seal where applicable) of all such documents and deeds, and to do or authorise doing all such acts, matters and things as he/they may in his/their absolute discretion consider necessary, expedient or desirable to give effect to, implement and/or complete all matters in connection with the Disposal Agreement and the transactions contemplated thereunder (including but not limited to the Disposal) and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Disposal Agreement and the ancillary documents and deeds as he/they may in his/their absolute discretion consider to be desirable and in the interest of the Company and all of such acts of director(s) as aforesaid be and are hereby approved, ratified and confirmed."

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

Hong Kong, 28 June 2024

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
Unit 5, 10/F
Bank of East Asia Harbour View Centre
No.56 Gloucester Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from Tuesday, 16 July 2024 to Friday, 19 July 2024 (both dates inclusive) for the purpose of ascertaining entitlement of shareholders of the Company (the "**Shareholder(s)**") to attend and vote at the SGM. No transfer of the shares of the Company (the "**Shares**") will be registered on those dates. In order to qualify for the Shareholders' entitlement to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Monday, 15 July 2024.

2. The Company will not serve or provide refreshments drinks or souvenirs at the SGM. Any Shareholder entitled to attend and vote at the SGM may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution on his/her/its behalf as instructed in accordance with the relevant proxy form instead of attending the SGM in person. For details, please refer to the proxy form of the SGM.

3. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the SGM is entitled to appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company. Completion and return of the proxy form will not preclude a member of the Company from attending the SGM and vote in person if the member so wishes, but the proxy's authority to vote on a resolution is to be regarded as revoked if the member attends in person at the SGM and votes on that particular resolution.

4. A proxy form for the SGM is enclosed with the Company's circular. Such proxy form is also published on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.zhongzheng.com.hk. In order to be valid, a proxy form together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 48 hours before the time appointed for holding the meeting or adjourned meeting.

5. Where there are joint holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

6. Any voting at the SGM shall be taken by poll.

7. If Typhoon Signal No. 8 or above is hoisted, or a "black" rainstorm warning signal or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will publish an announcement on the website of the Company at (www.zhongzheng.com.hk) and on the website of the Stock Exchange at (www.hkexnews.hk) to notify Shareholders of the date, time and venue of the rescheduled meeting.