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TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03688)

SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE REMAINING SHAREHOLDINGS IN TWO ASSOCIATES HOLDING THE PROPERTIES IN SHAP PAT HEUNG ROAD AND TAI TONG ROAD, YUEN LONG, NEW TERRITORIES

Reference is made to the announcement (the “**Announcement**”) of Top Spring International Holdings Limited (the “**Company**”) dated 4 September 2024 in relation to the Disposals. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

The Board wishes to provide the Shareholders and potential investors with additional information in relation to the Disposals, in particular, the details of the valuations on the Great Billion Sale Shares, the Great Billion Sale Loan, the Wealth Channel Sale Shares and the Wealth Channel Sale Loan (the “**Valuations**”), as follows:

THE VALUATIONS

As disclosed in the Announcement, APAC Asset Valuation and Consulting Limited (the “**Valuer**”), an independent valuer, was engaged by the Company to perform the valuations on the Great Billion Sale Shares, the Great Billion Sale Loan, the Wealth Channel Sale Shares and the Wealth Channel Sale Loan (the “**Valuation(s)**”).

On 4 September 2024, the Valuer issued two separate valuation reports (the “**Valuation Report(s)**”): one for the valuation of the Great Billion Sale Loan and the fair value of the Great Billion Sale Shares, and another one for the valuation of the Wealth Channel Sale Loan and the fair value of the Wealth Channel Sale Shares as at 31 August 2024 (the “**Valuation Date**”). The valuation approaches, and methods, qualitative inputs and assumptions used by the Valuer in both Valuation Reports are consistent. In the paragraphs that follow in this announcement, the Great Billion Sale Shares and the Wealth Channel Sales Shares will be collectively referred to as the “**Sale Shares**”, while the Great Billion Sale Loan and the Wealth Channel Sale Loan will be collectively referred to as the “**Sale Loan**”.

Valuation approach and methods

In each Valuation Report, the Valuer performed the valuation of the Sale Shares and the Sale Loan using the adjusted net asset value (“ANAV”) analysis under asset approach. The Valuer considered that this approach is the most common method for the valuation of equities of Great Billion and Wealth Channel, as the tangible assets of these companies are the best indicator of value for property development companies. The ANAV method is also the most direct way to determine the amount of asset/cash that is receivable by the holder of the Sale Loan.

Major assumptions considered by the Valuer

In conducting the Valuations, the Valuer has considered the following major assumptions:

- The assets of Great Billion/Wealth Channel are not and would not be pledged to other liabilities.
- Each of Great Billion and Wealth Channel is a limited liability company whereby the shareholders are legally responsible for their company’s debts only up to the value of their shares. Thus, it is assumed that the value of the shares is nil when the net asset value of Great Billion is negative.
- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation.
- There will be no major changes in the current taxation law in the areas in which the Company conducting their business, that the rate of tax payable remains unchanged and there all applicable laws and regulations will be complied with.
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing.
- The Valuer has assumed the accuracy of financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at its opinion of value.
- The Valuer has assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the report value.
- The terms and conditions of each of the Great Billion SHA and the Wealth Channel SHA (each as defined below) are assumed to be negotiated at arm’s length.
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.

Inputs and computation process of the Valuations

(A) *Fair value of the Sale Shares*

The fair value of the Sale Shares is equal to 10% of the ANAV of Great Billion/Wealth Channel as the equity holders are entitled to the residual net asset value after all liabilities have been settled by the assets of Great Billion/Wealth Channel.

As at the Valuation Date, (i) the book value and the appraised fair value of the total assets of Great Billion were respectively HK\$1,743,792,000 and HK\$967,758,000, respectively; (ii) the book value and the appraised fair value of the total liabilities of Great Billion are the same, which was approximately HK\$2,113,050,000; and (iii) the book value of the net assets and the ANAV of Great Billion were therefore approximately -HK\$369,258,000 and -HK\$1,145,292,000, respectively.

As at the Valuation Date, (i) the book value and the appraised fair value of the total assets of Wealth Channel were respectively HK\$203,724,000 and HK\$53,217,000, respectively; (ii) the book value and the appraised fair value of the total liabilities of Wealth Channel are the same, which was approximately HK\$376,955,000; and (iii) the book value of the net assets and the ANAV of Wealth Channel were therefore approximately -HK\$173,231,000 and -HK\$323,738,000, respectively.

The fair value of the assets of Great Billion and Wealth Channel are derived as follows:

- (1) The properties under development of Great Billion and Wealth Channel – the development sites of Lot A and Lot B, respectively. Both developments sites are currently under construction and planned to be developed into residential developments with the proposed completion dates in 2025. The market values of the development sites of Lot A and Lot B as at the Valuation Date in respective existing status were HK\$964,000,000 and HK\$51,000,000, respectively.

The market values of the development sites of Lot A and Lot B as at the Valuation Date in respective existing status represent the market value of the proposed developments as if completed (appraised by market comparison method by making reference to comparable sales evidences on the market) with outstanding construction costs and related expenses, marketing fee and developer's profit and risk considered.

- (2) The deposits and prepayments held by Great Billion and Wealth Channel – as at the Valuation Date, each of Great Billion and Wealth Channel had deposits and prepayments in the amounts of approximately HK\$2,629,000 and HK\$329,000, respectively.
- (3) Cash and bank balances of Great Billion and Wealth Channel – as at the Valuation Date, each of Great Billion and Wealth Channel had cash and bank balances of approximately HK\$1,129,000 and HK\$1,888,000, respectively.

(B) Fair value of the Sale Loans

For the valuation of the Sale Loan using the ANAV method, the fair values of all assets of Great Billion/Wealth Channel were appraised as at the Valuation Date to estimate the amount of cash proceeds to be received from disposal of such assets. The total cash proceeds would then be distributed in accordance with seniority hierarchy of claims of the debt and equity classes of Great Billion/Wealth Channel. The fair value of the relevant Sale Loan is equal to the amount of cash flow that can be received by the holder of the Sale Loan after accounting for the seniority hierarchy and the formula set forth in the Great Billion SHA and the Wealth Channel SHA (as discussed in more detail below) that the Seller and the Purchasers considered during their negotiations for the Sale Shares and the Sale Loans.

The seniority hierarchy of Great Billion/Wealth Channel's liabilities are sequenced as follows:

1. Accounts payable, retention money payable, amortised rent, accrued expenses, provision for audit fee and provision for tax service fee are related to the development of the Properties and have to be repaid before other liabilities.
2. The amounts due to fellow subsidiaries are also related to the operating development of the Properties and have to be repaid before other lower liabilities.
3. The shareholder loans are ranked the lowest in the seniority hierarchy, and would be repaid last.

As at the Valuation Date, the total amount of shareholder loans owed by Great Billion to its shareholders was HK\$2,046,427,359. The Great Billion Sale Loan of HK\$202,838,924 represents approximately 9.912% of the total amount of shareholder loans, and all shareholders have the same seniority. This means that the Seller would receive 9.912% of cash flows available to the total amount of Great Billion's shareholder loans under the above seniority hierarchy.

As at the Valuation Date, the total amount of shareholder loans owed by Wealth Channel to its shareholders was HK\$355,527,630. The Wealth Channel Sale Loan of HK\$34,019,523 represents approximately 9.569% of the total amount of shareholder loans, and all shareholders have the same seniority. This means that the Seller would receive 9.569% of cash flows available to the total amount of Wealth Channel's shareholder loans under the above seniority hierarchy.

In respect of the Great Billion Sale Loan, based on the fair value of Great Billion's total assets as of the Valuation Date, the cash proceeds from disposal of Great Billion as at the Valuation Date would amount to HK\$967,757,000. After deducting the accounts payable, accrued charges and amounts due to fellow subsidiaries, the net cash proceeds available to all shareholder loans were HK\$901,134,000. Applying the aforesaid 9.912% ratio, the cash available to the Great Billion Sale Loan amounted to HK\$89,320,000.

In respect of the Wealth Channel Sale Loan, based on the fair value of Wealth Channel's total assets as of the Valuation Date, the cash proceeds from disposal of Wealth Channel as at the Valuation Date would amount to HK\$53,216,000. After deducting the accounts payable, accrued charges and amounts due to fellow subsidiaries, the net cash proceeds available to all shareholder loans were HK\$31,789,000. Applying the aforesaid 9.569% ratio, the cash available to the Great Billion Sale Loan amounted to HK\$3,042,000.

Due to the stringent market conditions, the Group has decided not to provide additional shareholder's loans to Great Billion and Wealth Channel in accordance with the terms of the shareholders' agreements dated 30 June 2021 (as amended by an amendment agreement dated 31 August 2022 thereto) for Great Billion and Wealth Channel (the "Great Billion SHA" and the "Wealth Channel SHA", respectively). Instead, the Group proceeded to negotiate with the Purchasers regarding the Disposals. Accordingly, when determining the consideration for the Sale Shares and the Sale Loans, the Seller and the Purchasers made reference to the formula set forth in the Great Billion SHA and the Wealth Channel SHA as if the Seller has failed to perform its funding obligations under the Great Billion SHA and the Wealth Channel SHA, which specifies that the purchase price for the Sale Shares and the Sale Loans shall be 80% of the prescribed price (that is, fair market value).

As such, the Valuer considered the aforesaid formula when determining the fair value of the Sale Loans. The fair value of the Great Billion Sale Loan as at the Valuation Date was calculated as 80% of the available cash for the Great Billion Sale Loan as indicated above and amounted to approximately HK\$71,500,000; while the fair value of the Wealth Channel Sale Loan as at the Valuation Date was calculated as 80% of the available cash for the Wealth Channel Sale Loan as indicated above and amounted to approximately HK\$2,400,000.

As at the Valuation Date, the appraised fair values of the Great Billion Sale Loan and the Wealth Channel Sale Loan were approximately HK\$71,500,000 and HK\$2,400,000, representing discounts of approximately HK\$131,400,000 and HK\$31,600,000 as compared to their respective book values. The depreciation was mainly due to the following factors: (1) The market values of the development sites of Lot A and Lot B as at the Valuation Date, in their current status, were HK\$964,000,000 and HK\$51,000,000, respectively, which were lower than their book values of HK\$1,740,033,941 and HK\$201,506,962, as recorded in the management accounts; and (2) both Great Billion and Wealth Channel were in net deficit positions of -HK\$1,145,292,000 and -HK\$323,738,000 as at the Valuation Date.

Board's assessment on the Valuations

The Board has discussed with the Valuer and having reviewed the Valuation Reports and thoroughly considered the valuation methodology adopted and the valuation assumptions made by the Valuer, the Board is of the view that the Valuations are fair and reasonable.

RELATIONSHIP BETWEEN THE PURCHASERS AND THE COMPANY AND ITS CONNECTED PERSONS

To the best of the Directors' knowledge, information and belief and having made all reasonable inquiries, each of the Purchaser A, the Purchaser B and their ultimate beneficial owners is a third party independent of the Company and its connected persons.

Save as the information set out above, all information in the Announcement remains unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

By Order of the Board
Top Spring International Holdings Limited
WONG Tak Chun
Company Secretary

Hong Kong, 12 September 2024

As at the date of this announcement, the executive Directors are Mr. WONG Chun Hong, Ms. LAM Mei Ka, Shirley and Mr. WONG Sze Yuen; the non-executive Directors are Mr. YIP Hoong Mun and Mr. KUI Qiang; and the independent non-executive Directors are Mr. CHENG Yuk Wo, Professor WU Si Zong and Mr. CHAN Yee Herman.