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# **FLYKE**

## **FLYKE INTERNATIONAL HOLDINGS LTD.**

### **飛克國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1998)**

- (A) PROPOSED RESTRUCTURING INVOLVING**
- (1) PROPOSED CAPITAL REORGANISATION  
AND CHANGE IN BOARD LOT SIZE;**
- (2) VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION  
AND  
REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;**
- (3) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES UNDER SPECIFIC  
MANDATE;**
- (4) CREDITORS SCHEMES AND MAJOR TRANSACTION  
RELATING TO THE DISPOSAL;**
- (5) PROPOSED SHARE OFFER;**
- (6) APPLICATION FOR WHITEWASH WAIVER;**
- (7) SPECIAL DEAL;**
- (B) PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES;**
- (C) PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME;**
- (D) PROPOSED APPOINTMENT OF PROPOSED DIRECTORS; AND**
- (E) UPDATE ON THE STATUS OF THE RESUMPTION**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

## **THE RESTRUCTURING AGREEMENT**

On 17 December 2019, the Company entered into the Restructuring Agreement with the Subscriber, Vendor 1, Vendor 2 and Ms. Huai, pursuant to which the Subscriber, Vendor 1, Vendor 2 and the Company conditionally agreed to undertake the Proposed Restructuring, while Ms. Huai has agreed to guarantee the performance of the obligations of Vendor 1 under the Restructuring Agreement.

Pursuant to the Restructuring Agreement, the parties thereto agreed to undertake the Proposed Restructuring comprising (i) the Capital Reorganisation; (ii) the Acquisition; (iii) the Subscription; (iv) the Creditors Schemes; and (v) the Share Offer.

## **CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE**

As part of the Proposed Restructuring, the Company proposes to implement the Capital Reorganisation which comprises (i) the Share Consolidation which involves the consolidation of every two (2) existing issued Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$0.20 each; (ii) the Capital Reduction, whereby the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 each by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share; (iii) the Authorised Share Capital Diminution; (iv) the Authorised Share Capital Increase; and (v) the Share Premium Cancellation.

The existing board lot size is 2,000 Shares. Upon the Capital Reorganisation becoming effective, the Adjusted Ordinary Shares will be traded in board lot size of 20,000 Adjusted Ordinary Shares each.

## **THE ACQUISITION**

Pursuant to the Restructuring Agreement, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares and the Sale Loan at a total consideration of HK\$843,697,325, which shall be payable by the Company to the Vendors (or their respective nominee(s)) in proportion to their respective shareholding interests in the Target Company (as to HK\$801,512,459 to Vendor 1 and as to HK\$42,184,866 to Vendor 2). The Acquisition Consideration shall be settled by way of allotment and issue of a total of 6,859,320,000 Consideration Shares (as to 6,516,354,000 Consideration Shares to Vendor 1 (or its nominee(s)) and 342,966,000 Consideration Shares to Vendor 2 (or his nominee(s))) which shall represent approximately 84.43% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares at Completion.

## **THE SUBSCRIPTION**

Pursuant to the Restructuring Agreement, the Company will issue to the Subscriber 203,260,000 Subscription Shares at the Issue Price of HK\$0.123 per Subscription Share for the aggregate Subscription Consideration of approximately HK\$25.00 million, which shall be partially settled by setting off against the Working Capital Advance and the remaining balance to be settled in cash at Completion.

## **CREDITORS SCHEMES**

As part of the Proposed Restructuring, the Company proposes to transfer the Scheme Companies to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes, which will be Independent Third Parties to be appointed.

Subsequent to the Company's loss of control over the PRC Subsidiaries in 2013, the Company has minimal, or even no operation and its subsidiaries have ceased operations. All the subsidiaries of the Company will be transferred to the Creditors Schemes (i.e. the Scheme Companies) and will become assets of the Creditors Schemes upon Completion. The Company will no longer be engaged in the current principal activities (i.e. manufacture and sales of footwear products, shoe soles, apparels and accessories) upon Completion.

## **THE SHARE OFFER**

As part of the Proposed Restructuring, the Company conditionally agreed to implement the Share Offer of 1,568,860,000 SO Shares at the Share Offer Price of HK\$0.123 per SO Share. The Share Offer will consist of:

- (a) the Public Offer of 203,100,000 Public Offer Shares (subject to adjustment) (representing approximately 12.95% of the number of SO Shares available for subscription or purchase under the Share Offer and representing approximately 2.50% of the enlarged issued share capital of the Company upon Completion) for subscription by the public in Hong Kong; and

- (b) the Placing of 1,365,760,000 Placing Shares (taking into account the Reserved Shares) (subject to adjustment) (representing approximately 87.05% of the number of SO Shares available for subscription or purchase under the Share Offer and approximately 16.81% of the enlarged issued share capital of the Company upon Completion) to selected professional, institutional and/or other investors in Hong Kong and elsewhere. For the avoidance of doubt, the Placing will consist of:
- (i) 243,780,000 Reserved Shares (representing approximately 15.54% of the number of SO Shares available for subscription or purchase under the Share Offer and representing approximately 3.00% of the enlarged issued share capital of the Company upon Completion) to be allotted and issued by the Company, and will be available for subscription by the Qualifying Shareholders under the Preferential Offer as Preferential Entitlements on the basis of three (3) Reserved Shares for every five (5) Adjusted Ordinary Shares held on the Preferential Offer Record Date; and
  - (ii) 1,121,980,000 Placing Shares (representing approximately 71.52% of the number of SO Shares available for subscription or purchase under the Share Offer and representing approximately 13.81% of the enlarged issued share capital of the Company upon Completion) to be offered for sale by the Vendors to restore the public float of the Company.

The gross proceeds from the Public Offer and the Preferential Offer before expenses will amount to approximately HK\$24.98 million and approximately HK\$29.98 million, respectively.

#### **PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES**

The Existing Memorandum and Articles has been adopted since 2010 at the time of the listing of the Company. No amendment has been made to the Existing Memorandum and Articles to align the provisions therein with the amendments to the applicable laws and rules. In connection with the Proposed Restructuring, the Board proposes to seek the approval of the Shareholders at the EGM for the adoption of the New Memorandum and Articles to substitute the Existing Memorandum and Articles, the provisions of which will comply with the requirements of the Listing Rules and Cayman Islands laws.

## **PROPOSED APPOINTMENT OF PROPOSED DIRECTORS**

The Board proposes the appointment of Ms. Huai as an executive Director and the chairperson of the Company and not less than three new Directors upon Completion. Furthermore, it is envisaged that a majority of the existing Directors will resign from the Board. As at the date of this announcement, Vendor 1 has yet to reach any final decision with respect to the composition of the Board upon Resumption. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. The Company will ensure that any candidates proposed to be appointed as Directors upon Resumption will comply with the requirements under Rule 3.09 and Rule 3.13 in respect of independent non-executive Directors and the proposed Board composition will comply with the requirements under Rule 3.10 and Rule 3.10A of the Listing Rules.

## **PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME**

In order to provide the eligible participants of the Enlarged Group with suitable level of employee incentives in light of the recent development and circumstances of the Company, the Board has decided to adopt the New Share Option Scheme which will be effective for a period of ten (10) years commencing from the adoption date.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Capital Reorganisation**

As the passing of the special resolution by the Shareholders at the EGM of the Capital Reorganisation becoming effective is one of the conditions precedent to completion of the Acquisition and the Subscription pursuant to the terms of the Restructuring Agreement, only Independent Shareholders can vote on the resolution to approve the Capital Reorganisation at the EGM.

### **The Acquisition**

As one or more of the applicable percentage ratios of the Acquisition under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As Vendor 1 will become the controlling Shareholder and Ms. Huai will become an executive Director upon Completion, the Acquisition also constitutes a connected transaction for the Company pursuant to Rule 14A.28 of the Listing Rules and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the EGM.

In addition, the Acquisition also constitutes a reverse takeover for the Company under Rule 14.06B of the Listing Rules on the basis that the Acquisition (i) is a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) is regarded as resulting in a change in control of the Company to Ms. Huai, which falls within the bright line tests of Rule 14.06B of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition will therefore be subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Listing Committee. Such new listing application is required to comply with the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules. Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, has been appointed as the sponsor for the new listing application.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be obtained at the EGM. Only Independent Shareholders can vote on the resolution(s) at the EGM to approve the Acquisition and the transactions contemplated thereunder.

#### **The Subscription**

The Subscription Shares will be allotted and issued pursuant to the specific mandate to be obtained at the EGM. Only Independent Shareholders can vote on the resolution to approve the Subscription at the EGM.

#### **The Creditors Schemes and the Disposal**

Pursuant to the Creditors Schemes, the Scheme Companies will be transferred from the Group to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes. Accordingly, the Scheme Companies to be transferred under the Creditors Schemes are deemed to be disposed of. As one or more of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal are more than 25.0% but less than 75.0%, the Disposal constitutes a major transaction under Chapter 14 of the Listing Rules and therefore subject to the reporting, announcement and shareholder's approval requirements pursuant to the Listing Rules.

The Scheme Shares will be allotted and issued pursuant to the specific mandate to be obtained at the EGM. As the passing of the special resolution(s) at the EGM of the Disposal and the allotment and issue of the Scheme Shares are conditions precedent to completion of the Acquisition and the Subscription pursuant to the terms of the Restructuring Agreement, only Independent Shareholders can vote on the resolutions to approve the Disposal and the transactions contemplated thereunder and the allotment and issue of the Scheme Shares at the EGM.

## **The Share Offer**

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. The Public Offer and the Placing (including the Preferential Offer) will result in a theoretical dilution effect of 51.58%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company considers there are exceptional circumstances for the Company based on the reasons set out in the section headed “IMPLICATIONS UNDER THE LISTING RULES” in this announcement.

The Public Offer and the Placing (including the Preferential Offer) will be subject to the approval by the Independent Shareholders at the EGM by way of poll. As completion of the Share Offer is conditional upon the conditions precedent of the Restructuring Agreement having been fulfilled and are expected to be taken place simultaneously with the completion of the Subscription, the Acquisition, the Disposal and the allotment and issue of the Scheme Shares, only Independent Shareholders can vote on the relevant resolution(s) to approve the Share Offer.

## **Others**

Only Independent Shareholders can vote on the resolutions to approve the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal at the EGM.

For the avoidance of doubt, none of the Shareholders is required to abstain from voting on the resolutions in relation to the proposed appointment of proposed Directors, the proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Subscription Shares, the SO Shares, the Scheme Shares and the Adjusted Ordinary Shares which may fall to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

### **Whitewash Waiver**

As at the date of this announcement, the Concert Group does not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. Upon Completion, the Concert Group will, in aggregate, hold approximately 73.12% of the issued share capital of the Company after the Capital Reorganisation and as enlarged by the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares.

As such, Vendor 1 would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

Vendor 1 will make an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the Independent Shareholders present in person or by proxy at the EGM by way of poll and the approval by more than 50% of the Independent Shareholders present in person or by proxy at the EGM in respect of the underlying transaction of the Whitewash Waiver. If the Whitewash Waiver is granted by the Executive, Vendor 1 will not be required to make a mandatory offer which would otherwise be required as a result of the Acquisition. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Agreement will lapse and consequentially the Acquisition, the Subscription, the Disposal, the Creditors Schemes and the Share Offer will lapse and the Capital Reorganisation and the Resumption will not proceed.

### **Special Deal**

The proposed settlement of the indebtedness due to Mr. Lin (who holds approximately 59.07% of the total issued shares of the Company as at the date of this announcement) under the Creditors Schemes following completion of the Disposal will not be extended to all the other Shareholders, hence the Disposal as well as the proposed settlement of the indebtedness due to Mr. Lin under the Creditors Schemes constitute a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the Disposal and the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM. The Company will apply to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.



## **GENERAL**

The Circular containing, among other things, further information in respect of (i) the Capital Reorganisation; (ii) the Acquisition and the information about the business of the Target Group including management team, industry overview, strategies and future plans and risk factors; (iii) an updated property valuation report of the Target Group prepared in compliance with Rule 11 of the Takeovers Code by Cushman & Wakefield Limited; (iv) the Creditors Schemes; (v) the Subscription; (vi) the Share Offer; (vii) the Whitewash Waiver; (viii) the Special Deal; (ix) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal; (x) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal; and (xi) a notice of EGM will be despatched to the Shareholders as soon as practicable.

Independent Shareholders are advised to read (i) the letter of advice from the Independent Board Committee; and (ii) the letter of advice from the Independent Financial Adviser as contained in the Circular before making their voting decisions in respect of the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal.

The EGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Whitewash Waiver, the Special Deal, the Disposal, the allotment and issue of the Scheme Shares, the proposed appointment of proposed Directors, the proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe, has been established to advise the Independent Shareholders as to whether the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and to advise the Independent Shareholders on how to vote after taking into account the advice from the Independent Financial Adviser.

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal.

#### **CONTINUOUS SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 31 March 2014. Trading in the Shares will remain suspended until further notice. The Company will make further announcements on the latest development of the Group as and when appropriate pursuant to the requirements of the Listing Rules.

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares. Shareholders and potential investors should note that the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the Share Offer, the Creditors Schemes, the Whitewash Waiver and the Special Deal are subject to various conditions which may or may not be fulfilled, in particular, whether the Stock Exchange will allow the Acquisition and accompanying transactions to proceed. Therefore, such transactions may or may not materialise and proceed.**

#### **BACKGROUND**

On 31 March 2014, the Company announced that as the audit work for financial statements of the Group for the year ended 31 December 2013 were still in progress, the Company was not able to announce the audited results of the Group for the year ended 31 December 2013 within the time stipulated in Rule 13.49 (1) of the Listing Rules. Trading in the Shares on the Stock Exchange has been suspended since 31 March 2014. On 2 April 2015, the Company announced certain discrepancies in the bank balances shown in the statements as of 31 December 2013 of two bank accounts maintained by the PRC Subsidiaries, namely Flyke China and Fujian Xin Wei (the “**Discrepancies**”). The SFC has commenced an investigation into the affairs of the Company and alleges that the Company had materially overstated the balance sheet item “Bank balances and cash” in the financial statements for the periods ended 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 by about RMB273 million to RMB382 million. The SFC investigation is continuing. On 10 November 2016, the Company announced that having considered the findings of an independent law firm qualified to advice on PRC laws on the assets and indebtedness of the PRC Subsidiaries, it is no longer in control of Flyke China and Fujian Xin Wei, the two indirectly wholly-owned subsidiaries of the Company established in the PRC. Furthermore, the PRC Subsidiaries have ceased operations.

As disclosed in the announcement of the Company dated 5 September 2016, the Board has not been able to contact Mr. Lin. Since then and up to the date of this announcement, the Board still has not been able to gain contact with Mr. Lin.

On 25 November 2016, the Stock Exchange issued a letter to the Company informing the Company that it has placed the Company in the First Delisting Stage. The Company must submit a viable resumption proposal to demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules at least 10 Business Days before the expiry of the First Delisting Stage, i.e. 9 May 2017. The First Resumption Proposal was submitted by the Company to the Stock Exchange on 11 January 2017 (as supplemented by subsequent submissions by the Company) and the Company made a new listing application to the Stock Exchange on 22 March 2017. Such new listing application was rejected by the Stock Exchange on 14 September 2018.

On 14 November 2018, the Stock Exchange issued a letter to the Company informing the Company that it has placed the Company in the Second Delisting Stage. The Company must submit a viable resumption proposal to demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules at least 10 Business Days before the expiry of the Second Delisting Stage, i.e. 25 April 2019. The Second Resumption Proposal was submitted by the Company to the Stock Exchange on 6 December 2018 (as supplemented by subsequent submissions by the Company).

On 21 June 2019, the Stock Exchange issued a letter to the Company informing the Company that it has placed the Company in the Third Delisting Stage. The Third Delisting Stage would expire on 3 January 2020 and the Company must submit a viable resumption proposal to demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules at least 10 Business Days before the expiry of the Third Delisting Stage, i.e. 17 December 2019. The Stock Exchange also set out the resumption conditions which the Company must also fulfil for resumption of trading of its shares on the Stock Exchange:

- (i) demonstrate that the Company has a sufficient level of operations or assets of sufficient value as required under Rule 13.24 of the Listing Rules;
- (ii) address the Outstanding Audit Issues and the Discrepancies as mentioned in the Company's announcements dated 2 April and 21 May 2015, take all necessary remedial actions and inform the market of all material information;
- (iii) publish all outstanding financial results and address any audit qualifications; and
- (iv) demonstrate that the Company has in place adequate and effective financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

On 28 June 2019, the Company announced that it will no longer proceed with the modified restructuring agreement contained in the Second Resumption Proposal.

On 17 December 2019, the Company entered into the Restructuring Agreement with the Subscriber, Vendor 1, Vendor 2 and Ms. Huai, pursuant to which the Subscriber, Vendor 1, Vendor 2 and the Company conditionally agreed to undertake the Proposed Restructuring, while Ms. Huai has agreed to guarantee the performance of the obligations of Vendor 1 under the Restructuring Agreement; and the Company submitted the Current Resumption Proposal which includes, among other things, (i) the Capital Reorganisation; (ii) the Acquisition; (iii) the Subscription; (iv) the Creditors Schemes and the Disposal; and (v) the Share Offer, to the Stock Exchange (as supplemented by subsequent submissions by the Company).

The Third Delisting Stage expired on 3 January 2020 and the Stock Exchange has granted an extension to allow the Company to submit a new listing application relating to the Current Resumption Proposal on or before 30 June 2020. The Company has submitted an application for further time extension to the Stock Exchange on 9 June 2020. The application is currently under review by the Stock Exchange.

## **CAPTIAL REORGANISATION**

The Board proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation. The Capital Reorganisation comprises:

- (a) the Share Consolidation - every two (2) existing issued Shares of HK\$0.10 each will be consolidated into one (1) Consolidated Share of HK\$0.20 each;
- (b) the Capital Reduction - upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 each by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share;
- (c) the Authorised Share Capital Diminution - upon the Capital Reduction taking effect, all the authorised but unissued Shares (which shall include the authorised but unissued share capital arising from the Capital Reduction) will be cancelled in their entirety;
- (d) the Authorised Share Capital Increase - upon Authorised Share Capital Diminution taking effect, the Company's authorised share capital will be increased to HK\$1,000,000,000, divided into 100,000,000,000 Adjusted Ordinary Shares of HK\$0.01 each; and
- (e) the Share Premium Cancellation - the entire amount standing to the credit of the share premium account of the Company as at the effective date of the Capital Reorganisation will be cancelled.

Fractional Adjusted Ordinary Shares will be disregarded and not be issued to Shareholders but all such fractional Adjusted Ordinary Shares will be aggregated and, if possible, sold and retained for the benefit of the Company.

### **Effects of the Capital Reorganisation**

Other than the incurrence of expenses related to the Capital Reorganisation, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities, business operations, management or financial position of the Company and the Group or rights of the Shareholders.

A credit of approximately HK\$77.2 million will arise as a result of the Capital Reduction. Such credit will be applied by the Board to set off against the accumulated losses of the Company on the date of the Capital Reorganisation becoming effective. As shown in the consolidated statement of financial position of the Company as at 31 December 2019, the accumulated losses of the Company were approximately RMB119.7 million (equivalent to approximately HK\$134.0 million based on the exchange rate as of 31 December 2019 HK\$:RMB = 1:0.8936).

The credit arises in the Capital Reorganisation is an accounting treatment in the reserves, which will not generate cash value for settlement of debt. The indebtedness of the Company will be settled through the Creditors Schemes.

The following table sets out the effect of the Capital Reorganisation on the existing share capital of the Company before and after completion of the Capital Reorganisation (assuming there is no change in the number of Shares from the date hereof to immediately before the Capital Reorganisation):

	<b>Immediately before the Capital Reorganisation</b>	<b>Immediately after the Capital Reorganisation</b>
Nominal value	HK\$0.10	HK\$0.01
Authorised share capital	HK\$200,000,000 divided into 2,000,000,000 Shares	HK\$1,000,000,000 divided into 100,000,000,000 Adjusted Ordinary Shares
Issued and paid up share capital	HK\$81,260,000 divided into 812,600,000 Shares	HK\$4,063,000 divided into 406,300,000 Adjusted Ordinary Shares

### **Status of the Adjusted Ordinary Shares**

The Adjusted Ordinary Shares after the Capital Reorganisation will be identical and rank *pari passu* in all respects with each other. Holders of such Adjusted Ordinary Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date the Capital Reorganisation becomes effective.

## **Conditions of the Capital Reorganisation**

The implementation of the Capital Reorganisation and the listing of the Adjusted Ordinary Shares are conditional upon:

- (a) the passing of a special resolution by the Shareholders by way of poll at the EGM to approve the Capital Reorganisation;
- (b) the Grand Court granting an order confirming the Capital Reduction;
- (c) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Grand Court order and the minute approved by the Grand Court containing the particulars required under the Cayman Companies Laws with respect to the Capital Reduction;
- (d) compliance with any conditions imposed by the Grand Court; and
- (e) the Listing Committee granting the listing of, and permission to deal in, the Adjusted Ordinary Shares in issue upon the Capital Reorganisation becoming effective.

As at the date of this announcement, none of the conditions described above has been fulfilled.

## **Expected effective date of the Capital Reorganisation**

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation will become effective immediately after the registration of the Grand Court order and the minute as referred to in condition (c) above. An application will be made to the Grand Court for the approval of the Capital Reduction as soon as practicable after obtaining approval of the Capital Reorganisation at the EGM.

## **Reasons for the Capital Reorganisation**

The Board considers that the Capital Reorganisation will provide greater flexibility to the Company to raise funds through the issue of new Adjusted Ordinary Shares in the future. In addition, the credit arising from the Capital Reduction and the Share Premium Cancellation will be used to offset the accumulated losses of the Company and the balance, if any, will be transferred to the distributable reserve of the Company to be applied in such manner as and when the Board considers appropriate.

The Capital Reorganisation is subject to the approval of the Independent Shareholders at the EGM and the Capital Reorganisation becoming effective is one of the conditions precedent under the Restructuring Agreement.

The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Company and will not involve any diminution of liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders. Accordingly, the Directors are of the view that the implementation of the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole.

### **Posting of new share certificates to the Shareholders**

Subject to completion of the Capital Reorganisation, the Company will post the new share certificates in jumbo lot for the Adjusted Ordinary Shares to the Shareholders at the Company's expense. The old share certificates for existing Shares will be void automatically upon the despatch of the new share certificates. Further announcement(s) will be made to inform the Shareholders of the progress of the matter, including the proposed timetable, the arrangements of the free exchange of the new share certificates for the existing Share certificates, as and when appropriate.

### **Change in board lot size**

The Shares are currently traded in board lot of 2,000 Shares. Upon Completion, based on the Issue Price of HK\$0.123, the market value per board lot of the Adjusted Ordinary Shares will be HK\$246.00.

The Board believes that the change in board lot size may facilitate the trading in the Adjusted Ordinary Shares and will save the transaction and registration costs incurred by the Shareholders and potential investors. Upon the change in board lot size becoming effective, based on the Issue Price of HK\$0.123, the Adjusted Ordinary Shares will be traded in board lot of 20,000 Adjusted Ordinary Shares and the estimated market value per board lot of the Adjusted Ordinary Shares will be HK\$2,460.00. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and the Shareholders as a whole.

### **Odd lots arrangements and matching services**

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Ordinary Shares, the Company will procure an arrangement with an agent to stand in the market to provide matching services for the odd lots of the Adjusted Ordinary Shares on a best effort basis. Further details in respect of the odd lots arrangement will be set out in the Circular.

## THE ACQUISITION AND THE SUBSCRIPTION

### **The Restructuring Agreement**

Set out below are the salient terms of the Restructuring Agreement in relation to the Acquisition and the Subscription.

#### ***Date:***

17 December 2019

#### ***Parties:***

- (i) the Company, being the purchaser;
- (ii) Vendor 1, being one of the Vendors;
- (iii) Ms. Huai, being Vendor 1's Warrantor;
- (iv) the Subscriber, being the subscriber; and
- (v) Vendor 2, being one of the Vendors.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Subscriber, the Vendors and Ms. Huai and their respective associates are Independent Third Parties and do not hold any Shares as at the date of this announcement.

Vendor 1, Vendor 2 and the Subscriber, each of whom being a party to the Restructuring Agreement, are regarded as parties acting in concert with each other. Save for being a party to the Restructuring Agreement, the Subscriber currently has no other relationship with the Vendors or Ms. Huai.

### **The Acquisition**

Pursuant to the Restructuring Agreement, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares and the Sale Loan.

#### ***Asset to be acquired***

The assets to be acquired under the Acquisition are (i) the Sale Shares, being the entire issued share capital of the Target Company; and (ii) the Sale Loan.



Upon completion of the Reorganisation, the Target Company will be owned as to 95% by Vendor 1 and 5% by Vendor 2. Upon completion of the Acquisition, the Target Group will become wholly-owned subsidiaries of the Company. The Target Group is principally engaged in the development, sale and investment holding of residential and commercial properties and lease of investment properties in the PRC. More details of the Target Group are set out under the section headed “**INFORMATION OF THE TARGET GROUP**” of this announcement.

### ***The Acquisition Consideration***

The Acquisition Consideration in the amount of HK\$843,697,325 shall be payable by the Company to the Vendors (or their respective nominee(s)) in proportion to their respective shareholding interests in the Target Company (as to HK\$801,512,459 to Vendor 1 and as to HK\$42,184,866 to Vendor 2). The Acquisition Consideration shall be settled by way of allotment and issue of a total of 6,859,320,000 Consideration Shares (as to 6,516,354,000 Consideration Shares to Vendor 1 (or its nominee(s)) and 342,966,000 Consideration Shares to Vendor 2 (or his nominee(s))) at the Issue Price upon Completion.

The Acquisition Consideration was arrived at after arm’s length negotiations between the Company and the Vendors with reference to, among others, (i) the valuation premium over the book value of the property interests held by the Target Group as at 30 June 2019, based on the property valuation report prepared by an independent and duly qualified Hong Kong valuer, namely Cushman & Wakefield Limited (the finalised report on the property interests with an updated valuation date prepared in compliance with Rule 11 of the Takeovers Code is included as Appendix I to this announcement); (ii) the business growth, business prospects and profitability of the Target Group; and (iii) the prolonged suspension of trading in the Shares.

## **THE SUBSCRIPTION**

### **Working Capital Advance**

The Subscriber had advanced an aggregate amount of approximately HK\$14.05 million to the Company as at the date of the Restructuring Agreement and will advance further amounts to the Company, if required, from time to time prior to Completion. The further amount of approximately HK\$10.95 million will be advanced when funds are required by the Company for use as its general working capital.

Pursuant to the Restructuring Agreement, the Company will issue to the Subscriber 203,260,000 Subscription Shares at the Issue Price per Subscription Share for the aggregate Subscription Consideration of HK\$25,000,980, which shall be partially settled by setting off against the Working Capital Advance and the remaining balance to be settled in cash at Completion.

## **Conditions precedent to the Acquisition and the Subscription**

Completion of the Acquisition and the Subscription are conditional on each of the following conditions precedent being satisfied on or before the Long Stop Date or the Completion Date (as the case may be):

- (a) the Creditors Schemes becoming effective no later than the Completion Date;
- (b) all of the required corporate approvals or authorisations (including but not limited to those set out below) having been duly passed at the duly convened EGM in accordance with the Listing Rules, the Takeovers Code and any other applicable law and regulations, and not having been revoked or vitiated:
  - (i) the Capital Reorganisation;
  - (ii) the Restructuring Agreement and the transactions therein, including but not limited to the Acquisition, the Subscription, the allotment and issue of the Consideration Shares and the Subscription Shares;
  - (iii) the Share Offer;
  - (iv) the allotment and issue of the Scheme Shares and, if required, the transfer of the Scheme Companies to the Creditors Schemes;
  - (v) the Whitewash Waiver;
  - (vi) the Special Deal; and
  - (vii) any other necessary decisions to carry out transactions made under the Restructuring Agreement.
- (c) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (d) the Special Deal having been consented to by the Executive and the conditions attached (if any) to such consent having been satisfied;
- (e) the listing of and permission to deal in all of the Adjusted Ordinary Shares of the Company (namely, the then existing ordinary shares of the Company upon completion of the Capital Reorganisation), the new Adjusted Ordinary Shares to be issued to the Vendors by way of the Consideration Shares, the new Adjusted Ordinary Shares to be issued to the Subscriber under the Subscription, the new Adjusted Ordinary Shares to be

issued to the Creditors as part of the Creditors Schemes Consideration, the new Adjusted Ordinary Shares to be issued under the Share Offer, having been granted by the Listing Committee of the Stock Exchange (either unconditionally or subject to conditions) and such permission not having been subsequently revoked or withdrawn;

- (f) the Current Resumption Proposal having been submitted to the Stock Exchange and the approval in-principle having been received from the Stock Exchange and such approval not having been subsequently revoked or withdrawn;
- (g) the fulfillment of the resumption conditions set out in the letter from the Stock Exchange dated 21 June 2019 (and any other additional resumption condition(s) as the Stock Exchange may impose from time to time) to the satisfaction of the Stock Exchange;
- (h) the deemed new listing application of the Company having been submitted to the Stock Exchange and the approval for the listing application having been granted by the Listing Committee and such approval not having been subsequently revoked or withdrawn;
- (i) the Shares or the Adjusted Ordinary Shares (as the case may be) of the Company remaining listed on the Main Board of the Stock Exchange;
- (j) the Company having obtained a valuation report on the properties of the Target Group as at a date as agreed by the Company and Vendor 1 for a value of not less than an agreed amount from a qualified valuer engaged by the Company and such valuation shall have no material change in comparing with the draft valuation report;
- (k) the entering into of the underwriting agreement(s) with independent underwriter(s), being Independent Third Party(ies), in relation to the Share Offer by the Company and/or the Vendors and all conditions precedent set out therein having been fulfilled (save and except the completion of the Acquisition and the Subscription);
- (l) the fulfillment of the undertakings by Vendor 1 and Ms. Huai pursuant to the Restructuring Agreement;
- (m) each of the warranties given by Vendor 1 to the Company being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Restructuring Agreement and ending on the Completion Date;
- (n) each of the warranties given by the Company to the Vendors and the Subscriber being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Restructuring Agreement and ending on the Completion Date;

- (o) each of the warranties given by Vendor 2 to the Company being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Restructuring Agreement and ending on the Completion Date; and
- (p) each of the warranties given by the Subscriber to the Company being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Restructuring Agreement and ending on the Completion Date.

None of the conditions above can be waived by the parties to the Restructuring Agreement.

As at the date of this announcement, none of the conditions described above has been fulfilled.

Completion of the Acquisition, the Subscription, the Disposal and the allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares will take place simultaneously on the date falling after five (5) Business Days upon fulfilment of the conditions precedent to the Restructuring Agreement pursuant to the terms thereto or such date as agreed between the parties in writing.

If any of the conditions above is not fulfilled on or before the Long Stop Date or the Completion Date, the Restructuring Agreement will be automatically terminated with immediate effect and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

## **CREDITORS SCHEMES AND THE DISPOSAL**

As part of the Proposed Restructuring, the Company proposes to transfer the Scheme Companies to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes, which will be Independent Third Parties to be appointed.

Subsequent to the Company's loss of control over the PRC Subsidiaries in 2013, the Company has minimal, or even no operation and its subsidiaries have ceased operations. All the subsidiaries of the Company will be transferred to the Creditors Schemes (i.e. the Scheme Companies) and will become assets of the Creditors Schemes upon Completion.

Pursuant to the Creditors Schemes, all the issued shares of the Scheme Companies will be transferred to a nominee of the scheme administrators from the Creditors Schemes upon Completion at the nominal value for the benefit of the Creditors and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Scheme Companies shall be released and discharged in full upon such transfer.

Upon the Creditors Schemes becoming effective, the scheme administrators will take steps to adjudicate the indebtedness of the Company and to distribute the scheme assets in settlement of the adjudicated indebtedness. The scheme administrators will also take appropriate steps to realise and recover the assets of the Scheme Companies (including the assets of the PRC Subsidiaries) and ascertain and settle the liabilities of the Scheme Companies (including the liabilities of the PRC Subsidiaries) from assets recovered and proceeds from realisation of assets of the Scheme Companies. To save any extra cost and resources in pursuing any claims against the Scheme Companies, all of the rights, causes of action or claims of the Company against the Scheme Companies in respect of transactions or events incurred up to the date the Creditors Schemes becoming effective will also be assigned by and transferred and/or novated (as the case may be) from the Company to such nominee of the scheme administrators. The Company will receive payment out of the realisation and/or recovery of any assets of the Scheme Companies in settlement of any amounts due and/or claims against such Scheme Companies. Proceeds from realisation of assets of the Scheme Companies after settlement of liabilities of the Scheme Companies and any surplus assets of the Scheme Companies will be available to the Creditors under the Creditors Schemes and excess amount, if any, under the Creditors Schemes after payment of all costs and settlement of all liabilities due to the Creditors will be returned to the Company.

Upon the Creditors Schemes becoming effective, the Creditors will accept in full and final discharge of their Claim at a rateable distribution from (a) the cash amount of HK\$6,400,000 out of the Subscription Consideration; (b) 208,140,000 Scheme Shares to be allotted and issued at the Issue Price, in aggregate amounting to HK\$25,601,220; and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies as explained above.

### **The Creditors Schemes Consideration**

The Creditors Schemes Consideration was determined with reference to the Company's indebtedness as of 31 December 2019 (based on exchange rate as of 31 December 2019: HK\$:RMB = 1:0.8936) and to be discharged under the Creditors Schemes which, based on the Company's books and records available amounts to approximately HK\$32,262,000 (equivalent to approximately RMB28,829,000). Such amount comprises (i) amount due to Mr. Li of approximately HK\$23,535,000 (equivalent to approximately RMB21,031,000); (ii) amount due to a deconsolidated subsidiary of approximately HK\$7,168,000 (equivalent to RMB6,405,000) and (iii) amount due to controlling shareholder (i.e. Mr. Lin) of approximately HK\$1,559,000 (equivalent to approximately RMB1,393,000).

The amount due to Mr. Li represents the loan due from the Company, which was originally payable to Mr. Lin but was subsequently assigned by Mr. Lin to Mr. Li pursuant to a deed of assignment dated 11 May 2015. Apart from the demand letter from Mr. Li demanding the repayment of the amount due from the Group in August 2016, the Company also provided the auditor with the deed of loan assignment dated 11 May 2015, pursuant to which, Mr. Lin assigned the amount receivable from the Company of approximately HK\$23.53 million to Mr. Li, to offset the exact loan amount payable from Mr. Lin to Mr. Li.

Other than Mr. Lin holding approximately 59.07% issued share capital of the Company as at the date of this announcement, no other Creditors hold any equity interest in the Company.

The Creditors Schemes, which are subject to the passing of the necessary resolutions at the EGM, shall become effective and legally binding on the Company and Creditors, including those voting against the Creditors Schemes and those not voting, if the requisite majority (being a majority in number representing seventy-five per cent in value of the Creditors who, either in person or by proxy, attend and vote at the scheme meetings convened with the leave of the relevant courts) votes in favour of the Creditors Schemes, the Grand Court and the High Court sanction the Creditors Schemes, and a copy of each of the relevant court orders sanctioning the Creditors Schemes is filed or as the case may be registered with the relevant companies registries in the Cayman Islands and Hong Kong respectively.

#### **Conditions precedent of the Creditors Schemes**

The Creditors Schemes are conditional upon each of the following conditions precedent being satisfied:

- (a) obtaining approval from the Creditors regarding the Creditors Schemes;
- (b) obtaining sanction of the Creditors Schemes from the High Court and the Grand Court;
- (c) filing of the court orders with the Hong Kong Companies Registry and the Cayman Companies Registry, respectively;
- (d) obtaining consent of the Executive in relation to the Special Deal; and
- (e) obtaining approval from the Independent Shareholders at the EGM on the relevant resolutions approving the Disposal and the Special Deal.

The implementation of each of the Creditors Schemes is also conditional on Completion and the Capital Reorganisation taking effect.

#### **The Disposal**

Pursuant to the Creditors Schemes, the Scheme Companies will be transferred from the Group to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes. Accordingly, the Schemes Companies to be transferred under the Creditors Schemes are deemed to be disposed of.

The Company will no longer be engaged in the current principal activities (i.e. manufacture and sales of footwear products, shoe soles, apparels and accessories) upon Completion.

The Disposal is conditional upon approval by the Independent Shareholders at the EGM.

Upon the Creditors Schemes becoming effective and subject to Completion, each of the Scheme Companies will cease to be a subsidiary of the Company and any penalty, claim, damages, fine or charge arising from or in connection with any litigation, arbitration, investigations or legal proceedings that may be brought against the Company in relation to any past offence or other non-compliance incidents of the Company will be settled through the Creditors Schemes and will no longer be borne by the Company.

Based on the Company's management accounts, certain unaudited financial information of the Scheme Companies (other than the PRC Subsidiaries, where the Directors have not been able to gain access to all their books and records) are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss before tax	25,736	7,724
Loss after tax	25,736	7,724

The unaudited net liabilities of the Scheme Companies (other than the PRC Subsidiaries) as at 31 December 2019 was approximately HK\$149,706,000 (equivalent to approximately RMB133,776,000).

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Scheme Companies (other than the PRC Subsidiaries where the Directors have not been able to gain access to all their books and records) in this announcement. Pursuant to Rule 10 of the Takeovers Code, the above unaudited financial information relating to the Scheme Companies (other than the PRC Subsidiaries) constitutes a profit estimate and should be reported on by the Company's financial adviser and reporting accountants (the "**Reports (Scheme Companies)**") under Rule 10.4 of the Takeovers Code. However, due to the practical difficulties of including the Reports (Scheme Companies) in this announcement in terms of the additional time required for the preparation of the Reports (Scheme Companies) by the Company's financial adviser and reporting accountants, the financial information relating to the Scheme Companies (other than the PRC Subsidiaries) is not in compliance with the requirements of Rule 10 of the Takeovers Code.

**The Company would like to draw the attention of the Shareholders and potential investors that the above unaudited financial information of the Scheme Companies does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing reliance on the above information in assessing the merits and demerits of the Disposal as disclosed in this announcement.**

A full set of the audited financial information relating to the Group, including the Scheme Companies (other than the PRC Subsidiaries) prepared by the Auditor under HKFRS, which will be in full compliance with the requirements of the Takeovers Code, will be included in the Circular to be issued by the Company to the Shareholders. Shareholders should note that there may be differences between the unaudited financial information relating to the Scheme Companies (other than the PRC Subsidiaries) as presented in this announcement and the audited financial information to be presented in the Circular to be issued by the Company to the Shareholders.

Based on the exchange rate as of 31 December 2019 (HK\$:RMB = 1:0.8936), assuming the Creditors Schemes had completed, the Company would recognise a net loss of approximately HK\$245,000 (equivalent to approximately RMB219,000), representing the difference between the net liabilities of approximately HK\$32,078,000 (equivalent to approximately RMB28,665,000) to be compromised and discharged under the Creditors Schemes as at 31 December 2019 (being total indebtedness to be discharged under the Creditors Schemes of approximately HK\$32,262,000 (equivalent to approximately RMB28,829,000) less cash held by Scheme Companies of approximately HK\$184,000 (equivalent to approximately RMB165,000)) and the total settlement amount, including all scheme related expenses, of approximately HK\$32,323,000 (equivalent to approximately RMB28,884,000).



## THE SHARE OFFER

As part of the Proposed Restructuring, the Company conditionally agreed to implement the Share Offer of 1,568,860,000 SO Shares at the Share Offer Price of HK\$0.123 per SO Share. The Share Offer will consist of:

- (a) the Public Offer of 203,100,000 Public Offer Shares (subject to adjustment) (representing approximately 12.95% of the number of SO Shares available for subscription or purchase under the Share Offer and representing approximately 2.50% of the enlarged issued share capital of the Company upon Completion) for subscription by the public in Hong Kong; and
- (b) the Placing of 1,365,760,000 Placing Shares (taking into account the Reserved Shares) (subject to adjustment) (representing approximately 87.05% of the number of SO Shares available for subscription or purchase under the Share Offer and approximately 16.81% of the enlarged issued share capital of the Company upon Completion) to selected professional, institutional and/or other investors in Hong Kong and elsewhere. For the avoidance of doubt, the Placing will consist of:
  - (i) 243,780,000 Reserved Shares (representing approximately 15.54% of the number of SO Shares available for subscription or purchase under the Share Offer and representing approximately 3.00% of the enlarged issued share capital of the Company upon Completion) to be allotted and issued by the Company, and will be available for subscription by the Qualifying Shareholders under the Preferential Offer as Preferential Entitlements on the basis of three (3) Reserved Shares for every five (5) Adjusted Ordinary Shares held on the Preferential Offer Record Date; and
  - (ii) 1,121,980,000 Placing Shares (representing approximately 71.52% of the number of SO Shares available for subscription or purchase under the Share Offer and representing approximately 13.81% of the enlarged issued share capital of the Company upon Completion) to be offered for sale by Vendor 1 to restore the public float of the Company.

The Share Offer Price of HK\$0.123 each represents a discount of approximately 83.82% to the theoretical quoted price of HK\$0.76 per new Adjusted Ordinary Share (the quoted price of HK\$0.38 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 28 March 2014, being the Last Trading Day; and the Share Offer Price was determined after arm's length negotiations, taking into account (i) the financial performance and financial position of the Group; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 31 March 2014.

## Conditions precedent to the Share Offer

Acceptance of all applications for the SO Shares pursuant to the Share Offer will be conditional on each of the following conditions precedent being satisfied:

- (a) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, the Consideration Shares, the Subscription Shares, the SO Shares and the Scheme Shares and such listing and permission not subsequently having been revoked prior to the commencement of dealings in such Shares on the Stock Exchange;
- (b) the obligations of the SO Underwriter(s) under the SO Underwriting Agreements, becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the bookrunner, on behalf of the SO Underwriter(s)) and not having been terminated in accordance with the terms of the SO Underwriting Agreements;
- (c) all of the required corporate approvals or authorisations (including but not limited to those set out below) having been duly passed at the EGM in accordance with the Listing Rules, the Takeovers Code and any applicable law and regulations, and not having been revoked or vitiated:
  - (i) the Capital Reorganisation;
  - (ii) the Restructuring Agreement and the transactions contemplated therein, including but not limited to the Acquisition, the Subscription, the allotment and issue of the Consideration Shares and the Subscription Shares;
  - (iii) the Share Offer;
  - (iv) the allotment and issue of the Scheme Shares and, if required, the transfer of the Scheme Companies to the Creditors Schemes;
  - (v) the Whitewash Waiver; and
  - (vi) any other necessary decisions to carry out transactions made under the Restructuring Agreement;
- (d) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn; and
- (e) the completion of the Acquisition, the Subscription and the Disposal, and the allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares, which form part of the Proposed Restructuring;

in each case on or before the dates and times specified in the SO Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of the Prospectus.

To the best of the Directors' knowledge, information and belief, up to the date of this announcement, save for (i) an order to be granted by the Grand Court regarding the Capital Reorganisation; (ii) the approval of the Creditors and sanction from the High Court and Grand Court to be obtained regarding the Creditors Schemes; and (iii) the approval from the Stock Exchange and the SFC to be obtained regarding the Proposed Restructuring, the Board is not aware of any other necessary waivers, consents and approval that are required for the implementation of the Proposed Restructuring and all transactions contemplated thereunder.

### **Preferential Offer**

The Company proposes to undertake the Preferential Offer on the basis of three (3) Placing Shares for every five (5) Adjusted Ordinary Shares held on the Preferential Offer Record Date. As at the date of this announcement, the Company has 812,600,000 Shares (or 406,300,000 Adjusted Ordinary Shares) in issue. A total of 243,780,000 Reserved Shares will be made available for subscription or purchase by the Qualifying Shareholders under the Preferential Offer as Preferential Entitlements.

As at the date of this announcement, there are 12,000,000 outstanding share options to subscribe for an aggregate of 12,000,000 Shares, equivalent to 6,000,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective (subject to the adjustment in accordance with the terms of the Previous Share Option Scheme). The respective exercise prices of the outstanding share options and the period in which they are exercisable are as follows:

<b>Exercise price</b>	<b>Number of outstanding share options</b>	<b>Exercisable period</b>
HK\$1.726 per Share (equivalent to HK\$3.452 per Adjusted Ordinary Share)	2,800,000	31 December 2010 to 30 December 2020
HK\$1.62 per Share (equivalent to HK\$3.24 per Adjusted Ordinary Share)	9,200,000	4 May 2011 to 3 May 2021

Save for those disclosed above, the Company has no other outstanding options, warrants, derivatives or other securities convertible into or exchangeable for the Shares outstanding as at the date of this announcement.

There will be no eligible share option holders under the Previous Share Option Scheme, given that, based on the list of share option holders, those who have been granted share options by the Company have already resigned from the Group or are directors/employees of the Scheme Companies, which will cease to be members of the Group upon the Creditors Schemes becoming effective.

The Preferential Offer will only be available to the Qualifying Shareholders, whose names appear on the register of members of the Company as at the Preferential Offer Record Date.

Preferential Entitlements of the Qualifying Shareholders to the Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

### ***Fractional entitlements***

Fractions of Reserved Shares will not be allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Reserved Shares. Any Reserved Shares created from the aggregation of fractions of Reserved Shares will be aggregated and taken up by the SO Underwriter(s) in accordance with the SO Underwriting Agreements.

### ***Odd lot arrangement***

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services. Shareholders should note that matching of the sale and purchase of odd lots of the Adjusted Ordinary Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Further details and expected timetable in respect of the odd lot arrangement will be set out in the Circular.

### ***Excess application for excess Reserved Shares***

Qualifying Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Preferential Entitlements under the Preferential Offer. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Shareholder's Preferential Entitlement under the Preferential Offer will be accepted in full.

Where a Qualifying Shareholder applies for a number of Reserved Shares which is greater than his/her/its Preferential Entitlement under the Preferential Offer, the relevant Preferential Entitlement will be satisfied in full (subject to the terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all of their Preferential Entitlements by way of allocation on a fair and reasonable basis.

To the extent that the excess applications for the Reserved Shares are:

- (a) less than the Reserved Shares not taken up by the Preferential Entitlements, the available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated to the Placing for the subscription by selected professional, institutional and/or other investors in Hong Kong and elsewhere;
- (b) equal to the available Reserved Shares, the available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the available Reserved Shares, the available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Adjusted Ordinary Shares left after satisfying the excess applications, such number of odd lot Adjusted Ordinary Shares will be reallocated to the Placing for the subscription by selected professional, institutional and/or other investors in Hong Kong and elsewhere.

Save for the above, the Preferential Offer will not be subject to the clawback arrangement between the Placing and the Public Offer.

### **Underwriting Arrangements**

The Share Offer will be managed by one or more corporation(s) licensed by the SFC and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO. The Public Offer and the Placing will be fully underwritten by the SO Underwriter(s). The Company is expected to enter into the Public Offer Underwriting Agreement with the Public Offer Underwriter(s) shortly before the Prospectus is despatched. The Vendors are expected to enter into the Placing Underwriting Agreement with the Placing Underwriter shortly upon the close of the Public Offer period.

## **THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES, THE SCHEME SHARES AND THE SO SHARES**

### **Number of Consideration Shares**

The 6,859,320,000 Consideration Shares to be allotted and issued under the Acquisition at the Issue Price represent:

- (i) approximately 1,688.24% of the issued shares of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 542.42% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Subscription Shares, the Scheme Shares, the Reserved Shares and the Public Offer Shares; and
- (iii) approximately 84.43% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares, the Reserved Shares and the Public Offer Shares.

### **Number of Subscription Shares**

The 203,260,000 Subscription Shares to be allotted and issued under the Subscription represent:

- (i) approximately 50.03% of the issued shares of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 2.57% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Scheme Shares, the Reserved Shares and the Public Offer Shares; and
- (iii) approximately 2.50% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares, the Reserved Shares and the Public Offer Shares.

### **Number of Scheme Shares**

The 208,140,000 Scheme Shares to be allotted and issued at the Issue Price under the Creditors Schemes represent:

- (i) approximately 51.23% of the issued shares of the Company upon completion of the Capital Reorganisation;

- (ii) approximately 2.63% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Reserved Shares and the Public Offer Shares; and
- (iii) approximately 2.56% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares, the Reserved Shares and the Public Offer Shares.

### **Number of SO Shares (including Public Offer Shares and Placing Shares)**

The total of 1,568,860,000 SO Shares, (representing 203,100,000 Public Offer Shares and 1,365,760,000 Placing Shares (taking into account the Reserved Shares)) to be offered under the Public Offer and the Placing represent:

- (i) approximately 386.13% of the issued shares of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 20.44% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares and the Scheme Shares; and
- (iii) approximately 19.31% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares, the Reserved Shares and the Public Offer Shares.

### **Status of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares**

When allotted, issued and fully paid or credited as fully paid, the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares will rank *pari passu* in all respects with the then Adjusted Ordinary Shares in issue on the date of allotment and issue of the Consideration Shares, the Subscription Shares, the SO Shares and the Scheme Shares respectively. Holders of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares will be entitled to receive all future dividends and distributions which are declared, made and paid after the date of allotment and issue of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares respectively.

The Restructuring Agreement does not contain any restrictions on the sale of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares after Completion.

## **THE ISSUE PRICE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES, THE SCHEME SHARES AND THE SO SHARES**

The Issue Price for each of the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares of HK\$0.123 represents:

- (i) a discount of approximately 83.82% to the theoretical quoted price of HK\$0.76 per Adjusted Ordinary Share (the quoted price of HK\$0.38 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 28 March 2014, being the Last Trading Day; and
- (ii) a discount of approximately 66.58% to the theoretical ex-rights price of approximately HK\$0.368 calculated based on the theoretical quoted price of HK\$0.76 per Adjusted Ordinary Share as derived in (i) above.

The Issue Price was arrived at after arm's length negotiation taking into account (i) the funds required for the continuing operation of the Group; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 31 March 2014.

The Director (except the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser) considers that the terms of the Acquisition, the Subscription, the Creditors Schemes (including the Disposal and the allotment and issue of the Scheme Shares), the Share Offer, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **REASONS FOR THE ACQUISITION, THE SUBSCRIPTION, THE CREDITORS SCHEMES AND THE SHARE OFFER AND THE USE OF PROCEEDS**

Upon Completion, the Group will have a sufficient level of operation on the basis that the Target Group will (i) continue to focus on its property development business in PRC; (ii) continue to work on its internal studies for the land reserve; and (iii) actively identify potential land parcels suitable for its property development projects and expand its land reserves, which will promote the sustainable growth of the Target Group and thereby enabling the Group to have a sufficient level of operation upon Completion.

In addition, having taken into account that (i) the Company has lost control over the PRC Subsidiaries; (ii) in the absence of books and records, the Company is not in a position to effect a voluntary winding up of the Scheme Companies; (iii) the Creditors Schemes are relatively time and cost saving, as compared to formal liquidation process; (iv) cost of the scheme administrators will be paid out of the assets of the Creditors Schemes rather than borne by the Company; and (v) the Creditors Schemes will assist the Group, which is



currently hindered by the existence of potential contingent claim of the PRC Subsidiaries, to again focus on operations and business development, the Board considers the Creditors Schemes are the best solution available to the Group to resolve the issues in relation to the PRC Subsidiaries.

At the same time, the proceeds from the Subscription and the Preferential Offer after settlement of the Creditors Schemes Consideration and payment of professional fees and expenses for the Proposed Restructuring, will be retained as working capital of the Enlarged Group which will improve the financial and liquidity position of the Group based on the financial effects of the Proposed Restructuring.

Taking into account that (a) the Acquisition Consideration of approximately HK\$843,697,325, which was arrived at after arm's length negotiations between the parties to the Restructuring Agreement; (b) the development prospects of the Target Group; (c) the prolonged suspension of trading in the Shares; and (d) the Company is currently under the Third Delisting Stage, the Directors believe that the terms of the Restructuring Agreement are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

The gross proceeds from the Subscription (before deduction of the Working Capital Advance, which will be offset against the Subscription Consideration), the Public Offer and the Preferential Offer are HK\$25.00 million, HK\$24.98 million and HK\$29.98 million respectively, and, in aggregate, amounts to approximately HK\$79.96 million, and after excluding the Working Capital Advance in the amount of approximately HK\$14.05 million as at the date of the Restructuring Agreement provided to the Group, the net proceeds from the Subscription, the Public Offer and the Preferential Offer amounts to approximately HK\$65.91 million. The net proceeds in the sum of HK\$65.91 million will be paid into the Creditors Schemes and, after deducting the professional fees and expenses, the balance shall be retained as the working capital of the Company after Completion and reserves for future property development (if any).

## **FUND RAISING ACTIVITIES INVOLVING THE ISSUE OF SECURITIES IN THE PAST TWELVE MONTHS**

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

## **CHANGES IN SHAREHOLDING STRUCTURE**

The tables below set out the changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Acquisition, the Subscription, the allotment and issue of the Scheme Shares and the Share Offer. For illustrative purpose only, two cases, which

assume (I) all Qualifying Shareholders take up their respective Preferential Entitlement to the Reserved Shares under the Preferential Offer; and (II) none of the Qualifying Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer, are shown below:

Case (I) — all Qualifying Shareholders take up their respective Preferential Entitlement to the Reserved Shares under the Preferential Offer

Shareholders	As at the date of this announcement		Upon the Capital Reorganisation becoming effective		Immediately after completion of the Capital Reorganisation, the Acquisition, the Subscription, allotment and issue of the Scheme Shares and the Preferential Offer (Note 4)		Immediately after the Capital Reorganisation, the Acquisition, the Subscription, allotment and issue of the Scheme Shares and the Placing (including the Preferential Offer) and the Public Offer	
	No. of existing Shares		No. of Adjusted Ordinary Shares		No. of Adjusted Ordinary Shares		No. of Adjusted Ordinary Shares	
	App. %	App. %	App. %	App. %	App. %	App. %	App. %	App. %
<b>Substantial Shareholders</b>								
Vendor 1	—	—	—	—	6,516,354,000	82.27%	5,394,374,000	66.40%
Vendor 2	—	—	—	—	342,966,000	4.33%	342,966,000	4.22%
The Subscriber	—	—	—	—	203,260,000	2.56%	203,260,000	2.50%
Super Creation International Limited and its concert parties (Note 1)	480,000,000	59.07%	240,000,000	59.07%	—	—	—	—
<b>Sub-total</b>	<b>480,000,000</b>	<b>59.07%</b>	<b>240,000,000</b>	<b>59.07%</b>	<b>7,062,580,000</b>	<b>89.16%</b>	<b>5,940,600,000</b>	<b>73.12%</b>
<b>Public Shareholders</b>								
Super Creation International Limited and its concert parties (Note 1)	—	—	—	—	384,000,000	4.85%	384,000,000	4.73%
Other existing public shareholders	332,600,000	40.93%	166,300,000	40.93%	266,080,000	3.36%	266,080,000	3.28%
Creditors	—	—	—	—	208,140,000	2.63%	208,140,000	2.56%
Placing Underwriter	—	—	—	—	—	—	—	—
Other new public shareholders under the Placing for restoration of public float	—	—	—	—	—	—	1,121,980,000	13.81%
Other new public shareholders under the Public Offer	—	—	—	—	—	—	203,100,000	2.50%
<b>Sub-total</b>	<b>332,600,000</b>	<b>40.93%</b>	<b>166,300,000</b>	<b>40.93%</b>	<b>858,220,000</b>	<b>10.84%</b>	<b>2,183,300,000</b>	<b>26.88%</b>
<b>Total</b>	<b>812,600,000</b>	<b>100.00%</b>	<b>406,300,000</b>	<b>100.00%</b>	<b>7,920,800,000</b>	<b>100.00%</b>	<b>8,123,900,000</b>	<b>100.00%</b>

Case (II) — none of the Qualifying Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer

Shareholders	As at the date of this announcement		Upon the Capital Reorganisation becoming effective		Immediately after completion of the Capital Reorganisation, the Acquisition, the Subscription, allotment and issue of the Scheme Shares and the Preferential Offer (Note 4)		Immediately after the Capital Reorganisation, the Acquisition, the Subscription, allotment and issue of the Scheme Shares and the Placing (including the Preferential Offer) and the Public Offer	
	No. of existing Shares		No. of Adjusted Ordinary Shares		No. of Adjusted Ordinary Shares		No. of Adjusted Ordinary Shares	
	App. %	App. %	App. %	App. %	App. %	App. %	App. %	App. %
<b>Substantial Shareholders</b>								
Vendor 1	—	—	—	—	6,516,354,000	82.27%	5,394,374,000	66.40%
Vendor 2	—	—	—	—	342,966,000	4.33%	342,966,000	4.22%
The Subscriber	—	—	—	—	203,260,000	2.56%	203,260,000	2.50%
Super Creation International Limited and its concert parties (Note 1)	480,000,000	59.07%	240,000,000	59.07%	—	—	—	—
<b>Sub-total</b>	<b>480,000,000</b>	<b>59.07%</b>	<b>240,000,000</b>	<b>59.07%</b>	<b>7,062,580,000</b>	<b>89.16%</b>	<b>5,940,600,000</b>	<b>73.12%</b>
<b>Public Shareholders</b>								
Super Creation International Limited and its concert parties (Note 1)	—	—	—	—	240,000,000	3.03%	240,000,000	2.96%
Other existing public shareholders	332,600,000	40.93%	166,300,000	40.93%	166,300,000	2.10%	166,300,000	2.05%
Creditors	—	—	—	—	208,140,000	2.63%	208,140,000	2.56%
Placing Underwriter (Note 5)	—	—	—	—	243,780,000	3.08%	—	—
Other new public shareholders under the Placing for restoration of public float	—	—	—	—	—	—	1,365,760,000	16.81%
Other new public shareholders under the Public Offer	—	—	—	—	—	—	203,100,000	2.50%
<b>Sub-total</b>	<b>332,600,000</b>	<b>40.93%</b>	<b>166,300,000</b>	<b>40.93%</b>	<b>858,220,000</b>	<b>10.84%</b>	<b>2,183,300,000</b>	<b>26.88%</b>
<b>Total</b>	<b>812,600,000</b>	<b>100.00%</b>	<b>406,300,000</b>	<b>100.00%</b>	<b>7,920,800,000</b>	<b>100.00%</b>	<b>8,123,900,000</b>	<b>100.00%</b>

*Notes:*

1. As stated in the announcement of the Company dated 21 May 2015, the Company was informed by Mr. Lin, the controlling shareholder of the Company who, through his interests in Super Creation International Limited, is interested in 480,000,000 shares, representing approximately 59.07% of the issued share capital of the Company as at the date of this announcement, that he has charged his entire interest in the Company to Mr. Li, an Independent Third Party, to secure a loan by Mr. Li to Mr. Lin. The Company also noticed that Mr. Li has filed a disclosure of interest form with the Company on 11 May 2015 notifying the Company that he has a security interest over 480,000,000 shares in the Company.
2. As at the date of this announcement, none of the Directors holds any equity interests in the Company.
3. Certain percentage figures included in this table are subject to rounding adjustment. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.
4. This scenario is for illustration purpose only and will never occur. Pursuant to the Restructuring Agreement, completion of the Acquisition, the Subscription, the Share Offer and the Creditors Schemes (including the Disposal and the allotment and issue of the Scheme Shares) will take place simultaneously.
5. Assume none of the Qualified Shareholders take up their respective Preferential Entitlements to the Reserved Shares under the Preferential Offer, the Reserved Shares will be allocated to the Placing for subscription by selected professional, institutional and/or other investors in Hong Kong and elsewhere.

**Public float**

Upon completion of the Capital Reorganisation, the Acquisition, the Subscription and the Share Offer and upon the allotment and issue of the Scheme Shares, approximately 26.88% of the enlarged issued share capital will be held by public Shareholders. Accordingly, the Company is in compliance with Rule 8.08(1) (a) of the Listing Rules.

**INFORMATION OF THE GROUP**

The Company is an investment holding company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange. As mentioned in the announcement of the Company dated 10 November 2016, it is no longer in control of the PRC Subsidiaries which were principally engaged in the design, production and sales of footwear, apparels and accessories, and both of which have ceased operations.

Details of the background leading to the suspension of trading in the Shares and the Proposed Restructuring are set out in the paragraph headed “BACKGROUND” in this announcement.

## INFORMATION OF THE TARGET GROUP

### Business of the Target Group

The Target Group was set up by Ms. Huai in year 2000. It generates revenue primarily from sale and development of property projects and lease of investment properties and focuses on development, sale and investment holding of residential and commercial properties in Bozhou and Hefei, Anhui Province, Nanjing, Jiangsu Province and Luoyang, Henan Province in PRC. For sale of properties, revenue is recognised when control of completed property is transferred to the customer, being at the point that the customer obtains the physical possession of the completed property.

Since its establishment, the Target Group has six developed or ongoing property projects in the PRC, namely Bright Garden \*(光明花園), Fenghewan\*(鳳河灣), Liyang Chundu\* (麗陽春都), Haoze Lijing\* (豪澤儷景), Wan Yue Cheng\* (萬悅城) and Zhen Yue Fu\* (臻悅府). As at the date of this announcement, except for those properties held as investment properties, the saleable units in Bright Garden and Fenghewan have been completely sold.

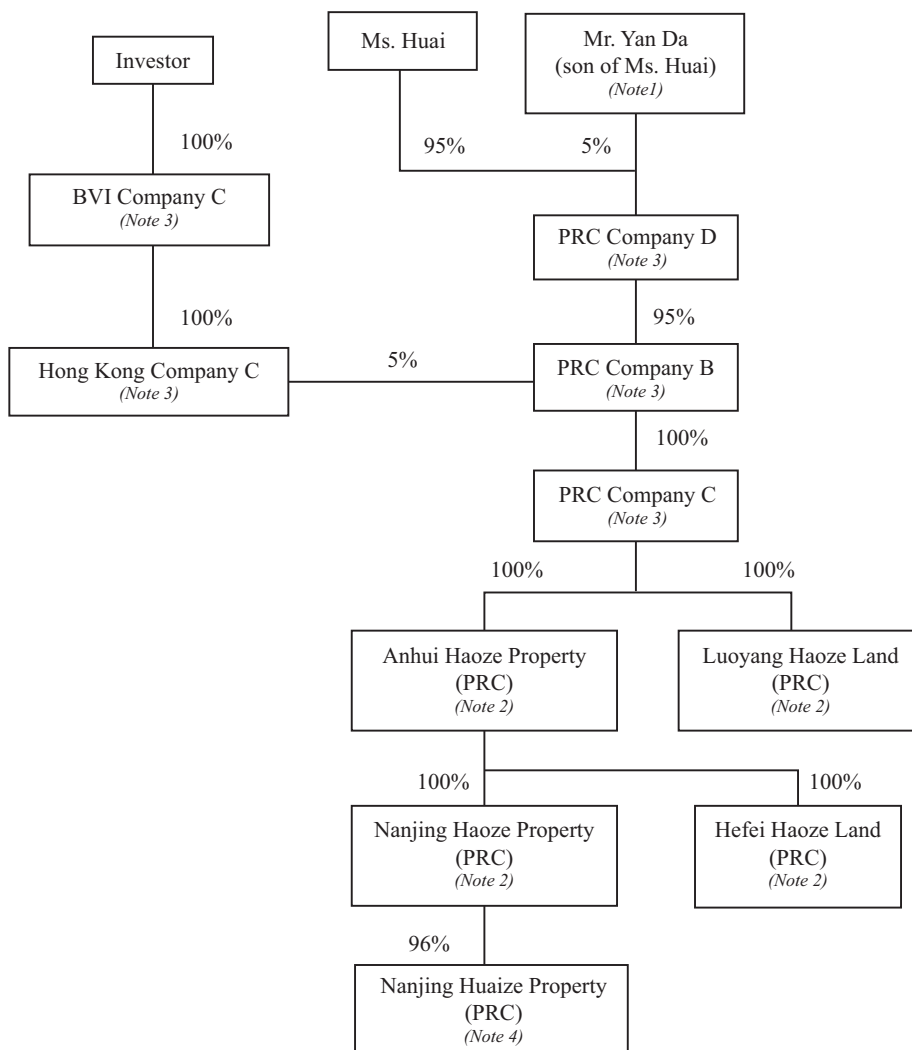
As at the date of this announcement, Anhui Haoze Property, Nanjing Haoze Property, Luoyang Haoze Land and Hefei Haoze Land are beneficially owned by Ms. Huai. Upon completion of the Reorganisation, these operating subsidiaries will be wholly owned by the Target Company. The Reorganisation is in its final stage and expected to be completed before the submission of the new listing application.

Upon completion of the Reorganisation, the Target Group will have four property projects in various stages of development for sale (namely, Haoze Lijing and Liyang Chundu in Bozhou, Anhui Province, Wan Yue Cheng in Nanjing, Jiangsu Province, Zhen Yue Fu in Hefei Anhui Province), which are either residential properties or integrated residential and commercial properties. The total planned saleable GFA of these four development projects is 631,647 sq.m. and the total completed saleable GFA as at 30 June 2019 is 445,560 sq. m.. Besides, the Target Group will also hold a land reserve in Luoyang, Henan Province, with a site area of approximately 85,500 sq. m. and a planned saleable/rentable GFA of 130,269 sq.m.. As at the date of this announcement, construction of Zi Xi Tang\* (紫熙唐) in Luoyang has not yet commenced. The Target Group engages third party contractors for the construction of its projects.

In addition, upon completion of the Reorganisation, the Target Group will also hold certain portion of the abovementioned projects (i.e. rentable GFA of 119,746 sq.m.) and certain acquired office premises and residential units previously acquired as investment properties for lease.

## Corporate and shareholding structure of the Target Group

The following chart sets out the existing corporate and shareholding structure of the Target Group as at the date of this announcement:



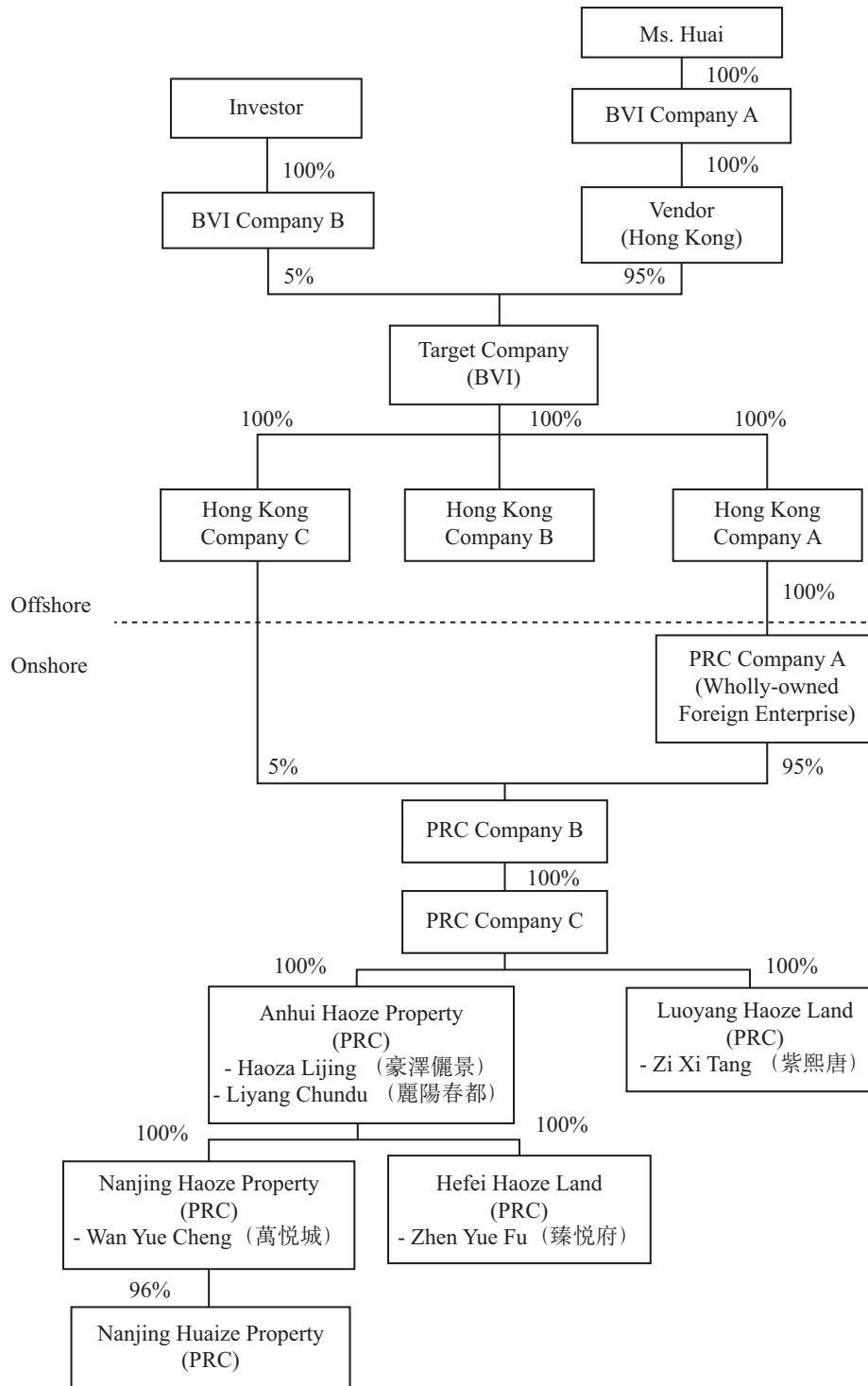
Note 1: Mr. Yan Da's equity interest in PRC Company D is held on behalf of Ms. Huai.

Note 2: These companies, namely Anhui Haoze Property, Nanjing Haoze Property, Hefei Haoze Land and Luoyang Haoze Land, are the major operating subsidiaries of the Target Group and will be remained in the Target Group upon completion of the Reorganisation.

Note 3: These companies are investment holding companies.

Note 4: This company is newly incorporated and is a dormant company.

The following chart sets out the corporate and shareholding structure of the Target Group immediately after the completion of the Reorganisation:



## **Property development projects held by the Target Group**

### ***Haoze Lijing (豪澤儷景)***

Haoze Lijing is a mixed residential and commercial development project located at the west side of the Municipal People's Hospital, Nan Bu Xin District, Bozhou, Anhui Province, the PRC (安徽省亳州市南部新區市人民醫院西). The project is developed by the Target Group through its wholly-owned subsidiary, Anhui Haoze Property.

The residential area is in close proximity to schools, hospital, supermarket and large-scale shopping mall. The Bozhou bus terminal is also nearby the residential neighborhood.

Haoze Lijing consists of two phases. As at the date of this announcement, the construction of this project was completed.

### ***Liyang Chundu (麗陽春都)***

Liyang Chundu was developed by Anhui Haoze Property and is positioned as a mixed residential and commercial development project located at east side of South Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC (安徽省亳州市譙城區市政府南希夷大道東側).

The project is located next to the office of Bozhou City Government and is around 200 meters away from the hospital. There are also supermarkets and schools in the residential neighborhood. It is also located closely to the Bozhou train station.

As at the date of this announcement, the construction of this project was completed.

### ***Wan Yue Cheng (萬悅城)***

Wan Yue Cheng was developed by Nanjing Haoze Property and is positioned as a mix of residential apartments, commercial apartments and shopping mall with ancillary retail shops, car parks and storage rooms located at the east side of No. 3, Gutan Avenue, Gaochun Economics Development District, Nanjing City, Jiangsu Province, the PRC (南京市高淳區經濟開發區古檀大道3號). The residential area is in close proximity to schools, hospital and supermarkets.

Wan Yue Cheng consists of three phases. As at the date of this announcement, the construction of this project was partially completed. It is expected that the Target Group will continue to deliver completed residential and commercial units of Wan Yue Cheng in the first half of 2020.



### ***Zhen Yue Fu (合肥臻悦府)***

Zhen Yue Fu was developed under Hefei Haoze Land and is positioned as a mix of residential apartments, shopping mall with retail shops, car parks, storage rooms and ancillary facilities located at the east of Miao Zhong Street and north of Xing Tong Street, Tong Yang Town, Chaohu City, Hefei, Anhui Province, the PRC (合肥巢湖市烔烔鎮興烔路以北、廟忠路以東). Zhen Yue Fu is planned to be positioned as a residential project targeting high-end market.

As at the date of this announcement, the construction of this project is still under development.

### ***Zi Xi Tang (紫熙唐)***

Zi Xi Tang is a land reserve under Luoyang Haoze Land located on East of Huan Hu Street, south of Yong Di Jie, west of Xing Ye Street and north of Yuan Gou Street, Yi Bi District, Luoyang City, Henan Province, PRC (河南省洛陽市伊濱區環湖路以東,用地界以南,興業路以西,袁勾路以北). Zi Xi Tang is planned to be positioned as a residential project targeting high-end market.

Construction of the project is planned to commence in September 2020 and complete in September 2022. Pre-sale is planned to commence in October 2020. As at the date of this announcement, Luoyang Haoze Land is in the progress of obtaining relevant permits required for construction of the project.

## **Future plans and business strategies**

### ***Expanding into property markets in other cities to sustain future growth***

The Target Group will continue to focus on its property development business and strategically pace its property development in Anhui Province, Jiangsu Province and Henan Province of the PRC. The Target Group targets to acquire land reserves in the first and second-tier cities in the coming years. The Target Group is in negotiation with government authorities in relation to acquiring land reserves in Hefei, Anhui Province, Nanjing, Jiangsu Province, and Luoyang, Henan Province with positive feedback, hence, it is expected that the Target Group will be able to obtain land reserves with cost advantage.

### ***Expanding into developing and managing investment property***

The Target Group will continue to adopt a diversified property development strategy and maintain a balanced property portfolio comprising sale and leasing of property as well as tourism and health service. The Target Group is in negotiation with various potential partners, including but not limited to, overseas medical and health management institutions to promote comprehensive real estate development; cultural and tourism projects.

### *Strengthening its corporate recognition and presence in the property market*

During the Track Record Period, the Target Group had advertised its properties through wide range of advertising channels and successfully built up its brand recognition. Leveraging on the success of the Target Group, the Enlarged Group will continue to enhance its corporate visibility and strengthen its corporate recognition by extending its advertising campaigns across multiple platforms and increase placement of advertisements through different channels to strengthen the corporate image of the Enlarged Group.

### **Management profile of the Target Group**

The Target Group has management teams with experience in the real estate industry. The Company believes that the Target Group's experienced and stable management team has contributed to the success of the Target Group and will further enhance the Target Group's execution capabilities.

### **Financial information of the Target Group**

Set out below is the consolidated financial information of the Target Group for the three years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019 as prepared in accordance with HKFRS:

	<b>For the year ended</b>			<b>For the</b>
	<b>31 December</b>			<b>six months</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>ended</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>30 June</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<b>2019</b>
				<i>RMB'000</i>
				<i>(unaudited)</i>
Revenue	427,366	440,596	660,562	269,622
Gross profit	89,103	123,144	124,452	102,451
Profit before taxation	327,490	116,435	97,694	103,131
Profit and total comprehensive income for the year	239,791	76,994	56,596	59,241

	<b>As at 30 June 2019</b> <i>RMB'000</i> <i>(unaudited)</i>
Current assets	1,147,055
Non-current assets	904,203
Current liabilities	1,333,926
Non-current liabilities	137,882
Net assets	579,450

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Target Group in this announcement. Pursuant to Rule 10 of the Takeovers Code, the above unaudited financial information relating to the Target Group constitutes a profit estimate and should be reported on by the Company's financial adviser and reporting accountants (the "**Reports (Target Group)**") under Rule 10.4 of the Takeovers Code. However, due to the practical difficulties to include the Reports (Target Group) in this announcement in terms of the additional time required for the preparation of the Reports (Target Group) by the Company's financial adviser and reporting accountants, those financial information relating to the Target Group is not strictly in compliance with the requirements of Rule 10 of the Takeovers Code. A full set of the accountants' reports relating to the Target Group prepared by Deloitte Touch Tohmatsu under HKFRS, which will be in full compliance with the requirements of the Takeovers Code, will be included in the Circular to be issued by the Company to the Shareholders. Shareholders should note that there may be differences between the financial information relating to the Target Group as presented in this announcement and the financial information to be presented in the Circular to be issued by the Company to the Shareholders.

**The Company would like to draw the attention of the Shareholders and potential investors that the above unaudited financial information of the Target Group does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing reliance on the above information in assessing the merits and demerits of the Acquisition as disclosed in this announcement.**

## INFORMATION OF THE CONCERT GROUP

Apart from being the Concert Group under the Proposed Restructuring, there is no other relationships between Vendor 1, Vendor 2 and the Subscriber.

### *Vendor 1*

Vendor 1, Haoze Financial Holdings Limited\* (豪澤金融控股有限公司), is a company incorporated in Hong Kong, and will hold 95% equity interests in the Target Group upon completion of the Reorganisation and will be ultimately wholly owned by Ms. Huai, an Independent Third Party.

Ms. Huai Shuying, aged 50, is the executive director of Anhui Haoze Property, Nanjing Haoze Property, Luoyang Haoze Land and Hefei Haoze Land. Ms. Huai founded the Target Group in 2000 and she has been responsible for the overall strategic planning, corporate development, investment, overall operations and management of the Target Group since 2000. Ms. Huai has been the executive director of the Target Company since August 2000. Prior to the establishment of the Target Group in 2000, Ms. Huai has been the project manager of Chaohu First Construction Company\* (巢湖市第一建築工程有限公司), a constructor in the PRC, since 1995. Ms. Huai obtained a postgraduate degree from Anhui Provincial Party School (安徽省委黨校) in the PRC in 2013.

Vendor 1, Ms. Huai and their respective associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

### *Vendor 2*

Vendor 2, Mr. Sze Hon Yeung, aged 57, graduated from Quanzhou Commerce College\* (泉州商校, now known as Quanzhou Vocational College of Economics and Business\* (泉州經貿職業技術學院)) in 1980s. He is legal representative of a PRC company called Xiamen Dongsheng Yungu Equity Investment Co., Ltd.\* (廈門東盛雲谷股權投資有限公司), which is principally engaged in investment, corporate management advisory and investment advisory and Vendor 2 is responsible for the overall investment strategy, corporate development and operation of the company. Vendor 2 wholly owns Xiamen Dongsheng Yungu Equity Investment Co., Ltd. through a Hong Kong limited company, Daxin International Investment Limited (大信國際投資有限公司). Vendor 2 has extensive experience in investment, investment advisory and corporate management.

Vendor 2 has been seeking business opportunities to invest in businesses with a view for listing on an international stock exchange.

Vendor 2 and his associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

### ***The Subscriber***

The Subscriber is an investment holding company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Tai, an experienced investor.

Mr. Tai Kai Hing, aged 45, graduated from the Chinese University of Hong Kong in 1996 majoring in Statistics with a minor certificate in Economics. He began his career in Andersen Consulting (now known as Accenture Company Ltd (埃森哲有限公司)) as a business consultant and participated in a number of major consultation projects for multinational corporations, including A.S. Watson, Siemens, Colgate-Palmolive Limited and Philip Morris Asia Limited. Mr. Tai held various management positions and obtained extensive experience in Informasia Holdings Limited and its subsidiaries.

The Subscriber, Mr. Tai Kai Hing and his respective associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

Vendor 1, Vendor 2 and the Subscriber, each of whom being a party to the Restructuring Agreement, are regarded as parties acting in concert with each other. Save for being a party to the Restructuring Agreement, the Subscriber has no other relationship with the Vendors or Ms. Huai.

### **INTENTION OF THE CONCERT GROUP REGARDING THE GROUP**

Vendor 1 does not intend to continue or resume the existing businesses of the Group. After Completion, the Enlarged Group will primarily focus on the sale, development and lease of property projects in the PRC. Save as disclosed, Vendor 1 does not intend to introduce any major change to the Enlarged Group's business (including any re-deployment of the Enlarged Group's fixed assets) nor does it intend to discontinue the employment of any of the Group's employees after Resumption.

## **PROPOSED APPOINTMENT OF PROPOSED DIRECTORS**

The Board proposes the appointment of Ms. Huai as an executive Director and the chairperson of the Company and not less than three new Directors upon Completion. Furthermore, it is envisaged that a majority of the existing Directors will resign from the Board. As at the date of this announcement, Vendor 1 has yet to reach any final decision with respect to the composition of the Board upon Resumption. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. The Company will ensure that any candidates proposed to be appointed as Directors upon Resumption will comply with the requirements under Rule 3.09 and Rule 3.13 of the Listing Rules in respect of independent non-executive Directors and the proposed Board composition will comply with the requirements of Rule 3.10 and Rule 3.10A of the Listing Rules.

## **PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES**

The Existing Memorandum and Articles has been adopted since 2010 at the time of the listing of the Company. No amendment has been made to the Existing Memorandum and Articles to align the provisions therein with the amendments to the applicable laws and rules. In connection with the Proposed Restructuring, the Board proposes to seek the approval of the Shareholders at the EGM for the adoption of the New Memorandum and Articles to be substituted in place of the Existing Memorandum and Articles, the provisions of which will comply with the requirements of the Listing Rules and Cayman Islands laws. Below is a short summary of the major changes to the Existing Memorandum and Articles:

- (a) to specify that all resolutions at general meetings of the Company shall be decided by poll (except that the chairman of the general meetings may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands);
- (b) to align with the requirements of the Listing Rules on the notice period for annual general meeting and other general meetings;
- (c) to allow Directors to participate in any meeting of the Shareholders by means of a conference telephone, electronic or other communications equipment and, such participation shall constitute presence at a meeting as if those participating were present in person but Shareholders shall not be permitted to participate in any meeting of the Shareholders by means of a conference telephone, electronic or other communications equipment;
- (d) to allow the Company to appoint more than one chairman;
- (e) to allow the Shareholders to participate in capitalisation issue of the Company in such other proportions as may be determined by the Shareholders by way of ordinary resolution;

- (f) to align with the requirements of the Listing Rules on the Directors' requirement of not voting on any resolution of the Board approving any contract or arrangement in which the Director or any of his close associates is materially interested; and
- (g) to align with the requirements of the Listing Rules on matters in which a substantial shareholder or a Director has a conflict of interest which is considered to be material by the Board should be dealt with by a physical Board meeting rather than a written resolution.

A summary of the principal terms of the New Memorandum and Articles will be set out in the Circular.

The adoption of the New Memorandum and Articles is conditional upon the passing of special resolutions by the Shareholders at the EGM to approve the Capital Reorganisation and adopt the New Memorandum and Articles in substitution for the Existing Memorandum and Articles. The New Memorandum and Articles will substitute the Existing Memorandum and Articles with immediate effect after passing of the special resolutions mentioned aforesaid.

Shareholders are advised that the New Memorandum and Articles are written in English only and there is no official Chinese translation. The Chinese translation of the New Memorandum and Articles is for reference purpose only. In case of any inconsistency, the English version shall prevail.

#### **PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME**

The Previous Share Option Scheme has expired on 24 February 2020. In order to provide the eligible participants of the Enlarged Group with suitable level of employee incentives in light of the recent development and circumstances of the Company, the Board has decided to adopt the New Share Option Scheme which will be effective for a period of ten (10) years commencing from the adoption date. The purpose of the New Share Option Scheme is to enable the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the long-term development of the Enlarged Group and to provide the Enlarged Group with a more flexible means to reward, remunerate, compensate, attract, retain and/or provide benefits to the eligible participants. The Board therefore proposes to recommend to the Shareholders to approve the adoption of the New Share Option Scheme.

As at the date of this announcement, (i) save for the Previous Share Option Scheme, the Company has not adopted any other share option scheme; and (ii) as at the date of this announcement, the Company has 12,000,000 outstanding share options to subscribe for an aggregate of 12,000,000 Shares (equivalent to 6,000,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) under the Previous Share Option Scheme.

The terms of the New Share Option Scheme provide that in granting share options under the New Share Option Scheme, the Board may offer to grant any share options subject to such terms and conditions as the Board may determine in its absolute discretion. The Board will also determine the subscription price in respect of any share option pursuant to the terms of the New Share Option Scheme. The Board has the discretion to determine the restrictions and/or conditions for vesting or exercise of the share options appropriate in the circumstances, such as the minimum period that share options need to be held by the grantees and/or performance targets to be achieved before such share options can be exercised. Conditional grant of share options may provide incentives to the grantees to continue to contribute to the growth of the Enlarged Group and thus serves the purpose of the New Share Option Scheme.

Further details of the New Share Option Scheme will be set out in Circular.

### **Conditions of the New Share Option Scheme**

The New Share Option Scheme shall take effect subject to and is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM approving the adoption of the New Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any shares falling to be issued pursuant to the exercise of any share options granted under the New Share Option Scheme; and
- (iii) the Completion having taken place.

Application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the Adjusted Ordinary Shares which may fall to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme.

The Company will comply with the requirements of the Listing Rules in granting share options and issuing shares pursuant to the New Share Option Scheme.

Adjusted Ordinary Shares which may fall to be issued upon the exercise of all share options to be granted under the New Share Option Scheme at any time may not exceed 10% of the total number of Adjusted Ordinary Shares in issue as at the date of adoption of the New Share Option Scheme.

On the basis of 812,600,000 Shares (equivalent to 406,300,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) in issue as at the date of this announcement and assuming that no further Shares or Adjusted Ordinary Shares (as the case



may be) are issued or repurchased by the Company prior to the EGM, the scheme limit for the New Share Option Scheme will be 81,260,000 Shares (equivalent to 40,630,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) under Rule 17.03(3) of the Listing Rules, should the New Share Option Scheme be adopted.

Detailed information of the New Share Option Scheme will be set out in the Circular.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Capital Reorganisation**

As the passing of the special resolution by the Shareholders at the EGM of the Capital Reorganisation becoming effective is one of the conditions precedent to completion of the Acquisition and the Subscription pursuant to the terms of the Restructuring Agreement, Only Independent Shareholders can vote on the resolution to approve the Capital Reorganisation at the EGM.

### **The Acquisition**

As one or more of the applicable percentage ratios of the Acquisition under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As Vendor 1 will become the controlling Shareholder and Ms. Huai will become an executive Director upon Completion, the Acquisition also constitutes a connected transaction for the Company pursuant to Rule 14A.28 of the Listing Rules and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the EGM.

In addition, the Acquisition also constitutes a reverse takeover for the Company under Rule 14.06B of the Listing Rules on the basis that the Acquisition (i) is a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) is regarded as resulting in a change in control of the Company to Ms. Huai, which falls within the bright line tests of Rule 14.06B of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition will therefore be subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Listing Committee. Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, has been appointed as the sponsor for the new listing application.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be obtained at the EGM. Only Independent Shareholders can vote on the resolution(s) at the EGM to approve the Acquisition and the transactions contemplated thereunder.

## **The Subscription**

The Subscription Shares will be allotted and issued pursuant to the specific mandate to be obtained at the EGM. Only Independent Shareholders can vote on the resolution to approve the Subscription at the EGM.

## **The Creditors Schemes and the Disposal**

Pursuant to the Creditors Schemes, the Scheme Companies will be transferred from the Group to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes. Accordingly, the Scheme Companies to be transferred under the Creditors Schemes are deemed to be disposed of. As one or more of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal are more than 25.0% but less than 75.0%, the Disposal constitutes a major transaction under Chapter 14 of the Listing Rules and therefore subject to the reporting, announcement and shareholder's approval requirements pursuant to the Listing Rules.

The Scheme Shares will be allotted and issued pursuant to the specific mandate to be obtained at the EGM. As the passing of the special resolution(s) by the Shareholders at the EGM of the Disposal and the allotment and issue of the Scheme Shares are conditions precedent to completion of the Acquisition and the Subscription pursuant to the terms of the Restructuring Agreement, only Independent Shareholders can vote on the resolutions to approve the Disposal and the transactions contemplated thereunder and the allotment and issue of the Scheme Shares at the EGM.

## **The Share Offer**

The Public Offer and the Placing (including the Preferential Offer) will be subject to the approval by the Independent Shareholders at the EGM by way of poll. As completion of the Share Offer is conditional upon the conditions precedent of the Restructuring Agreement having been fulfilled and are expected to be taken place simultaneously with the completion of the Subscription, the Acquisition, the Disposal and the allotment and issue of the Scheme Shares, Only Independent Shareholders can vote on the relevant resolution(s) to approve the Share Offer.

## **Exceptional circumstances for Rule 7.27B**

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances.

The Public Offer and the Placing (including the Preferential Offer) will result in a theoretical dilution effect of 51.58%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company considers there are exceptional circumstances for the Company based on the following reasons:

**(a) Rescue proposal of the Company**

On 21 June 2019, the Stock Exchange issued a letter to the Company informing the Company that it has placed the Company in the Third Delisting Stage. The Third Delisting Stage was to expire on 3 January 2020 and the Company must submit a viable resumption proposal to demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules at least 10 Business Days before the expiry of the Third Delisting Stage, i.e. 17 December 2019. The Acquisition, the Subscription and the Share Offer form part of the Current Resumption Proposal seeking the resumption of trading in the Adjusted Ordinary Shares. Upon Completion, the Group will have a sufficient level of operation while the proceeds from the Subscription, the Preferential Offer and the Public Offer, after settlement of (i) the Creditors Schemes Consideration, and (ii) payment of professional fees and expenses for the Proposed Restructuring, will be retained as working capital of the Enlarged Group which will improve the financial and liquidity position of the Group based on the financial effect of the Proposed Restructuring.

If the Proposed Restructuring, including but not limited to, the Share Offer and the Subscription, fail to proceed for any reason, the Stock Exchange will follow the procedures set out in Practice Note 17 of the Listing Rules and guidance letter HKEx-GL66-13 (September 2013) in handling the Current Resumption Proposal and cancellation of the listing of the Shares (where appropriate).

**(b) Adverse financial position of the Company**

Subsequent to the Company's loss of control over the PRC Subsidiaries in 2013, the Group has minimal, or even no operation. No revenue had been generated by the Group and continued losses were recorded for the three years ended 31 December 2019. As disclosed in the annual result announcement for the year ended 31 December 2019, the Company recorded a loss before tax of approximately RMB2.5 million (equivalent to approximately HK\$2.8 million based on the exchange rate as of 31 December 2019 HK\$:RMB = 1:0.8936) for the year and the net liabilities of the Group reached RMB48.1 million (equivalent to approximately HK\$53.8 million based on the exchange rate as of 31 December 2019 HK\$:RMB = 1:0.8936) as at 31 December 2019. Given the above, the Group is currently insolvent and in financial difficulties, with very limited prospect of recovery. Therefore, the Share Offer and the Subscription, which form part of the rescue proposal, is essential to be conducted for the resumption of trading of the Company's shares.

**(c) Interest of Existing Shareholders**

The Share Offer and the Subscription form an integral part of the Proposed Restructuring as it provides funds to discharge the Company's liabilities under the Creditors Schemes. In addition, the Preferential Offer also allows the existing Shareholders to reduce the dilution effect on their shareholding under the Proposed Restructuring.

Having considered the fairness of the transactions, the issue price for the Subscription Shares and the Share Offer Price are identical, and hence the existing Shareholders will be given an opportunity to invest in the Enlarged Group on the same price per new Adjusted Ordinary Share as the Concert Group.

Given that the trading of the Shares on the Stock Exchange has been suspended since 31 March 2014, there would be practical difficulties in raising funds via the Share Offer and the Subscription without a substantial discount.

It should also be noted that if the Share Offer and the Subscription fail to proceed, the Creditors Schemes will not be funded and in such case, the residual value of the Company, after repayment of its liabilities, to be realised by the Shareholders upon liquidation of the Company would be very minimal.

The Company considers the Share Offer and the Subscription to be essential in the rescue proposal of the Company. Despite exceeding the 25% theoretical value dilution threshold, the Company is of the view that the Share Offer and the Subscription is in the interest of the Company and its Shareholders as a whole.

In light of the above, there are practical difficulties to issue the SO Shares and the Subscription Shares without a substantial discount. Further, the Proposed Restructuring, inter alia, the Share Offer and the Subscription, will discharge all claims and liabilities against the Company in full and will facilitate the resumption of the Company when completed. Hence, the Company considers that there are exceptional circumstances for the Company to undertake the Share Offer and the Subscription resulting in a theoretical dilution effect of over 25%.

The Preferential Offer will be subject to the approval by the minority Shareholders at the EGM by way of poll. Shareholders other than the Independent Shareholders will be required abstain from voting in favour of the resolution(s) to be proposed at the EGM to consider and, if thought fit, approve the Preferential Offer.

## **Others**

Only Independent Shareholders can vote on the resolutions to approve the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Whitewash Waiver and the Special Deal at the EGM. For the avoidance of doubt, none of the Shareholders is required to abstain from voting on the resolutions in relation to the proposed appointment of proposed Directors, the proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Subscription Shares, the SO Shares, the Scheme Shares and the Adjusted Ordinary Shares which may fall to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

### **Whitewash Waiver**

As at the date of this announcement, the Concert Group does not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. Upon Completion, the Concert Group will, in aggregate, hold approximately 73.12% of the issued share capital of the Company after the Capital Reorganisation and as enlarged by the Consideration Shares, the Subscription Shares, the Scheme Shares and the SO Shares.

As such, Vendor 1 would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

Vendor 1 will make an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the Independent Shareholders present in person or by proxy at the EGM by way of poll and the approval by more than 50% of the Independent Shareholders present in person or by proxy at the EGM in respect of the underlying transaction of the Whitewash Waiver. If the Whitewash Waiver is granted by the Executive, Vendor 1 will not be required to make a mandatory offer which would otherwise be required as a result of the Acquisition. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Agreement will lapse and consequentially the Acquisition, the Subscription, the Disposal, the Creditors Schemes and the Share Offer will lapse and the Capital Reorganisation and the Resumption will not proceed.

As at the date of this announcement, the Company does not believe that the Proposed Restructuring gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Restructuring does not comply with other applicable rules and regulations.

### **Special Deal**

The proposed settlement of the indebtedness due to Mr. Lin (who holds approximately 59.07% of the total issued shares of the Company as at the date of this announcement) under the Creditors Schemes following completion of the Disposal will not be extended to all the other Shareholders, hence the Disposal as well as the proposed settlement of the indebtedness due to Mr. Lin under the Creditors Schemes constitute a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the Disposal and the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM. The Company will apply to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.

### **INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

As at the date of this announcement, the Concert Group confirms that:

- (a) none of the members of the Concert Group owns or has control or direction over any existing Shares, rights over Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) other than the entering into of the Restructuring Agreement, none of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Restructuring Agreement and up to the date of this announcement;
- (c) none of the members of the Concert Group has received any irrevocable commitment in relation to voting of the resolutions in respect of the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, and proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme or any transactions contemplated thereunder at the EGM;

- (d) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any members of the Concert Group;
- (e) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of any of the members of the Concert Group or the Company and which might be material to the Restructuring Agreement, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, the proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme or any transactions contemplated thereunder;
- (f) there is no agreement or arrangement to which any members of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre- condition or a condition to the Restructuring Agreement, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, the proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme or any transactions contemplated thereunder, including any break fees being payable;
- (g) none of the members of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) there is no consideration, compensation or benefits in whatever form provided by any members of the Concert Group to the Company or the Shareholders;
- (i) save for the Special Deal and the Restructuring Agreement, there is no understanding, arrangement, agreement or special deal between any members of the Concert Group on the one hand, and the Company and its subsidiaries and/or the Shareholders on the other hand; and
- (j) save for the Special Deal, there is no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) any members of the Concert Group, or (b) the Company, its subsidiaries or associated companies.

Save for the transactions contemplated under the Restructuring Agreement (including the injection of the Target Group, the Subscription Consideration to be paid to the Company and the Consideration Shares to be allotted and issued to the Concert Group) as disclosed in this announcement, there are no other arrangement/agreement in whatsoever form between the Concert Group on one hand and the Company on the other hand, in connection with the Proposed Restructuring or otherwise.



As at the date of this announcement, the issued share capital of the Company comprises 812,600,000 Shares and, other than the outstanding share options granted under the Previous Share Option Scheme, the Company does not have any options, warrants or convertible securities in issue.

## **GENERAL**

### **Circular**

The Circular containing, among other things, further information in respect of (i) the Capital Reorganisation; (ii) the Acquisition and the information about the business of the Target Group including management team, industry overview, strategies and future plans and risk factors; (iii) an updated property valuation report of the Target Group prepared in compliance with Rule 11 of the Takeovers Code by Cushman & Wakefield Limited; (iv) the Subscription; (v) the Share Offer; (vi) the Disposal; (vii) the Creditors Schemes; (viii) the Whitewash Waiver; (ix) the Special Deal; (x) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Disposal, the Whitewash Waiver and the Special Deal; (xi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Disposal, the Whitewash Waiver and the Special Deal; and (xi) a notice of EGM will be despatched to the Shareholders as soon as practicable.

Independent Shareholders are advised to read (i) the letter of advice from the Independent Board Committee; and (ii) the letter of advice from the Independent Financial Adviser as contained in the Circular before making their voting decisions in respect of the Capital Reorganisation, the Acquisition, the Subscription, the Disposal, the allotment and issue of the Scheme Shares, the Share Offer, the Disposal, the Whitewash Waiver and the Special Deal.

Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to Shareholders a circular in respect of, among others, the Whitewash Waiver within 21 days from the date of publication of this announcement.

As the new listing application is subject to approval by the Stock Exchange, it is expected that more time may be needed for the Stock Exchange to review the new listing application and for the preparation of the Circular.

The Company will apply to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent to extend the time limit for the despatch of the Circular and the Company will make further announcement on the expected date of despatch of the Circular.



## **The EGM**

The EGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the Whitewash Waiver, the Special Deal, the allotment and issue of the Scheme Shares, the proposed appointment of proposed Directors, the proposed adoption of the New Memorandum and Articles and the proposed adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

### ***Formation of the Independent Board Committee and appointment of the Independent Financial Adviser***

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe, has been established to advise the Independent Shareholders as to whether the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and to advise the Independent Shareholders on how to vote after taking into account the advice from the Independent Financial Adviser.

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver and the Special Deal.

## **UPDATE ON THE STATUS OF THE RESUMPTION**

### **Compliance with Rule 13.24 of the Listing Rules**

Subsequent to the Company's loss of control over the PRC Subsidiaries in 2013, the Company has minimal, or even no operation and its subsidiaries have ceased operations.

Upon Completion, the Target Group will form part of the Enlarged Group and the Directors considered that the Enlarged Group has a sufficient level of operation.

## **Outstanding Audit Issues, Outstanding Financial Results and Address any Audit Qualifications**

Reference is made to the announcement of the Company dated 10 November 2016. The Directors have tried and have not been able to gain access to the plants of the Group located in the PRC and all the books and records of the PRC Subsidiaries. As a result, the Directors considered that the Company has lost the control over the PRC Subsidiaries.

Based on the basis of deconsolidation of the PRC Subsidiaries, the Company has already published the financial results, including annual results for seven years ended 31 December 2018 and interim results for six months ended 30 June 2013, 2014, 2015, 2016, 2017 and 2018.

As at the date of this announcement, the Company has published financial results, including (i) the annual reports for the years ended 31 December 2013, 2014, 2015, 2016 and 2017; (ii) the unaudited interim reports for the six months ended 30 June 2014, 2015, 2016, 2017 and 2018 and (iii) the announcement of final results of the year ended 31 December 2018. Pursuant to Rule 13.46(2)(a) of the Listing Rules, the Company is required to despatch the annual report for the year ended 31 December 2018 to the Shareholders on or before 30 April 2019. The delay has constituted non-compliance of Rule 13.46(2)(a) of the Listing Rules. Pursuant to Rule 13.49(6) of the Listing Rules, the Company is required to publish the interim results for the six months ended 30 June 2019 on or before 31 August 2019. The delay has constituted non-compliance of Rule 13.49(6) of the Listing Rules. Pursuant to Rule 13.48(1) of the Listing Rules, the Company is required to despatch the interim report for the six months ended 30 June 2019 to the Shareholders on or before 30 September 2019. The delay has constituted non-compliance of Rule 13.48(1) of the Listing Rules. The Company has published the interim results for the six months ended 30 June 2019 and the annual results for the year ended 31 December 2019 on 31 March 2020. The annual reports of the Company for the years ended 31 December 2018 and 2019 and the interim report for the six months ended 30 June 2019 have been despatched on 29 April 2020.

As disclosed in the annual report of the Company for the year ended 31 December 2019, a disclaimer of opinion was issued on the following areas: (1) opening balances and corresponding figures, (2) deconsolidation of subsidiaries, (3) share options reserve, (4) other payables, (5) amount due to the controlling shareholders, (6) amount due to a deconsolidated subsidiary, (7) bank balances, (8) commitments and contingent liabilities, (9) related party transactions and disclosures, (10) other disclosures in the consolidated financial statements and (11) material uncertainty related to going concern.

Details of the outstanding audit issues and the Company's remedial actions

**Auditors' view**

**Company's remedial action(s)**

Outstanding audit issue (1) — Opening balances and corresponding figures

This disclaimer is resulted from significance of the possible effect of the limitations on the scope of audit and material uncertainty relating to the Group's going concern. The limitations of scope are due to loss of control in the PRC Subsidiaries that the Auditor cannot access the books and records of such subsidiaries. Material uncertainty relating to the Group's going concern will be addressed in (11) below.

Under the Creditors Schemes, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes.

Upon Completion, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes and the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future and such audit issue will be resolved. Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (both opening balances and corresponding figures) and 2022 (corresponding figures only) and an unmodified audit opinion is expected to be issued for the year ending 31 December 2023.

**Auditors' view****Company's remedial action(s)**

## Outstanding audit issue (2) — Deconsolidation of subsidiaries

Due to the loss of control over the PRC Subsidiaries, the financial information of the PRC Subsidiaries was deconsolidated from the Group's accounts since 1 January 2013. Given the limitation to gain access to the books and records of the PRC Subsidiaries, the Auditor considers that it has not been given sufficient evidence as to ensure the completeness of the transactions of the Group throughout the years ended 31 December 2019 and 2018.

In this connection, the Auditor considers it is unable to ascertain the existence, presentation, completeness and accuracy of the following items: (i) opening balances and corresponding figures; (ii) loss on deconsolidation of subsidiaries; (iii) amounts due to a deconsolidated subsidiary; (iv) other payable/amount due to controlling shareholder; (v) commitments and contingent liabilities; and (vi) related party transactions and disclosures.

Under the Creditors Schemes, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes.

Upon Completion, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes and such audit issue will be resolved. Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (for opening balances, transactions upon the date of Completion and corresponding figures) and 2022 (corresponding figures only) and an unmodified audit opinion is expected to be issued for the year ending 31 December 2023.

**Auditors' view****Company's remedial action(s)**

## Outstanding audit issue (3) — Share options reserve

Given that the supporting documents relating to the share options granted by the Company to its ex-directors and eligible persons were incomplete, the Auditor has been unable to obtain sufficient appropriate audit evidence to verify the presentation and accuracy of the carrying amount of the share option reserve.

There are no eligible share option holders under the Previous Share Option Scheme as at the date of this announcement, given that, based on the list of share option holders, people who have been granted share options by the Company have already resigned from the Group or are directors/employees of the Scheme Companies, which will cease to be members of the Group upon the Creditors Schemes becoming effective. In this case, audit disclaimer in relation to the share options granted will be resolved upon Completion.

Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (both opening balances and corresponding figures) and 2022 (corresponding figures only) and an unmodified audit opinion is expected to be issued for the year ending 31 December 2023.

**Auditors' view****Company's remedial action(s)**

## Outstanding audit issue (4) — Other payables

Through the Creditors Schemes, the other payables will be settled by distribution under the Creditors Schemes, in cash or Scheme Shares, where the Creditors, in particular Mr. Li, submit evidence to the scheme administrators and it is adjudicated that such claim is substantiated. The disclaimer in other payables is related to the amount due to Mr. Li which was the amount receivable from the Company assigned from Mr. Lin. Where Mr. Li does not make a claim to the scheme administrators, no distribution under the Creditors Schemes will be made to Mr. Li. On the other hand, if Mr. Li presents a claim, which the scheme administrators, having assessed the evidence submitted by Mr. Li and adjudicated that Mr. Li's claim is unsupported, the scheme administrators will reject Mr. Li's claim and no distribution under the Creditors Schemes will be made to Mr. Li. In any of the aforesaid circumstances, Mr. Li's claim will be treated for all purposes as being wholly and irrevocably discharged and released against the Company.

Assuming Completion (including but not limited to the Creditors Schemes becoming effective) takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (opening balances) and no disclaimer on this issue is expected to be issued for the year ending 31 December 2022.

**Auditors' view****Company's remedial action(s)**

Outstanding audit issue (5) — Amount due to the controlling shareholder

Through the Creditors Schemes, the amount due to the controlling Shareholder, Mr. Lin, will be settled by distribution under the Creditors Schemes, in cash or Scheme Shares, where the controlling Shareholder submits evidence to the scheme administrators and it is adjudicated that such claim is substantiated. Where Mr. Lin does not make a claim to the scheme administrators, no distribution under the Creditors Schemes will be made to Mr. Lin. On the other hand, if Mr. Lin presents a claim, which the scheme administrators, having assessed the evidence submitted by Mr. Lin and adjudicated that Mr. Lin's claim is unsupported, the scheme administrators will reject Mr. Lin's claim and no distribution under the Creditors Schemes will be made to Mr. Lin. In any of the aforesaid circumstances, Mr. Lin's claim will be treated for all purposes as being wholly and irrevocably discharged and released against the Company.

Assuming Completion (including but not limited to the Creditors Schemes becoming effective) takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (opening balances) and no disclaimer on this issue is expected to be issued for the year ending 31 December 2022.

**Auditors' view****Company's remedial action(s)**

Outstanding audit issue (6) — Amount due to a deconsolidated subsidiary

Through the Creditors Schemes, the amount due to a deconsolidated subsidiary, will be settled by distribution under the Creditors Schemes, in cash or Scheme Shares, in case the deconsolidated subsidiary submits evidence to the scheme administrators and it is adjudicated that such claim is substantiated. Where the deconsolidated subsidiary does not make a claim to the scheme administrators, no distribution under the Creditors Schemes will be made to the deconsolidated subsidiary. On the other hand, if the deconsolidated subsidiary presents a claim, which the scheme administrators, having assessed the evidence submitted by the deconsolidated subsidiary and adjudicated that the deconsolidated subsidiary's claim is unsupported, the scheme administrators will reject the deconsolidated subsidiary's claim and no distribution under the Creditors Schemes will be made to the deconsolidated subsidiary. In any of the aforesaid circumstances, the deconsolidated subsidiary's claim will be treated for all purposes as being wholly and irrevocably discharged and released against the Company.

Assuming Completion (including but not limited to the Creditors Schemes becoming effective) takes place in 2021, it is expected a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (opening balances) and no disclaimer on this issue is expected to be issued for the year ending 31 December 2022.



**Auditors' view****Company's remedial action(s)**

## Outstanding audit issue (7) — Bank balances

The Board has been unable to contact Mr. Lin, who is the authorised signatory of the Group's certain bank accounts. As a result, the Auditor has been unable to obtain sufficient evidence, including bank confirmations, for audit purpose.

Furthermore, the Company has communicated with the relevant banks and understands that it is feasible to change the authorised signatory of the bank accounts upon compliance with proper procedures. The Company is in the process of applying for change of the authorised signatory. The audit qualification relating to bank balances will be resolved upon completion of the change of authorised signatory to the relevant bank accounts.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the bank balances amounted to approximately RMB245,000.

Assuming the change of authorised signatory of the bank accounts takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (opening balances) and no disclaimer on this issue is expected to be issued for the year ending 31 December 2022.

**Auditors' view****Company's remedial action(s)**

## Outstanding audit issue (8) — Commitments and contingent liabilities

Due to the loss of control over the PRC Subsidiaries, the financial information of the PRC Subsidiaries was deconsolidated from the Group's accounts since 1 January 2013. Given the limitation to gain access to the books and records of the PRC Subsidiaries, the Auditor considers that it has not been given sufficient evidence as to ensure the existence, presentation, completeness and accuracy of the commitments and contingent liabilities of the Group throughout the years ended 31 December 2019 and 2018.

Under the Creditors Schemes, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes.

Upon Completion, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes and such audit issue will be resolved. Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the disclosure of the consolidated financial statements as at 31 December 2021 and an unmodified audit opinion is expected to be issued for the year ending 31 December 2022.

**Auditors' view****Company's remedial action(s)**

## Outstanding audit issue (9) — Related party transactions and disclosures

Due to the loss of control over the PRC Subsidiaries, the financial information of the PRC Subsidiaries was deconsolidated from the Group's accounts since 1 January 2013. Given the limitation to gain access to the books and records of the PRC Subsidiaries, the Auditor considers that it has not been given sufficient evidence as to ensure the existence, presentation, completeness and accuracy of the related party transactions of the Group throughout the years ended 31 December 2019 and 2018.

Under the Creditors Schemes, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes.

Upon Completion, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes and such audit issue will be resolved. Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (both disclosure from 1 January 2021 upon the date of Completion and corresponding figures) and 2022 (corresponding figures only) and an unmodified audit opinion is expected to be issued for the year ending 31 December 2023.

**Auditors' view****Company's remedial action(s)**

Outstanding audit issue (10) – Other disclosures in the consolidated financial statements

Due to the loss of control over the PRC Subsidiaries, the financial information of the PRC Subsidiaries was deconsolidated from the Group's accounts since 1 January 2013. Given the limitation to gain access to the books and records of the PRC Subsidiaries, the Auditor considers that it has not been given sufficient evidence as to ensure the accuracy and completeness of the disclosures in relation to presentation of share option scheme and staff costs of the Group throughout the years ended 31 December 2019 and 2018.

Under the Creditors Schemes, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes.

Upon Completion, the PRC Subsidiaries will be deconsolidated and transferred to the Creditors Schemes and such audit issue will be resolved.

Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will continue to be issued for the consolidated financial statements for the year ending 31 December 2021 (both disclosure from 1 January 2021 upon the date of Completion and corresponding figures) and 2022 (corresponding figures only) and an unmodified audit opinion is expected to be issued for the year ending 31 December 2023.

**Auditors' view****Company's remedial action(s)**

Outstanding audit issue (11) — Material uncertainty relating to the going concern basis

The Group incurred a loss attributable to owners of the Company of approximately RMB2,509,000 for the year ended 31 December 2019 and as at 31 December 2019, the Group had net current liabilities and net liabilities of approximately RMB48,138,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring will be successfully completed, and that, following the Proposed Restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the Proposed Restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the Completion, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring will be successfully completed, and that, following Completion, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. Nevertheless, the Proposed Restructuring is subject to various conditions which may or may not be fulfilled, and therefore there is uncertainty relating to the Completion.

Assuming Completion takes place in 2021, it is expected that a disclaimer on this issue will be resolved for the consolidated financial statements for the year ending 31 December 2021.

The Company will use its best endeavour to comply with requirement under Rule 13.49 of the Listing Rules to publish financial results in the future. Further, as disclosed above, after discussion with the Auditor and assuming Completion successfully takes place in the financial year ending 31 December 2021, the Board expects that the audit qualifications arising from the deconsolidation of the PRC Subsidiaries and the material uncertainty relating to the going concern basis (save for the brought forward effect of corresponding figures in the next financial year upon Completion) will no longer have impact on the consolidated financial statements of the Enlarged Group after the financial year ending 31 December 2021.

### **Internal Control Procedures of the Company**

On 10 February 2017, the Company has engaged an independent professional firm, ZHONGHUI ANDA Risk Services Limited, to perform an internal control review of the Company to assist the Directors to assess if the Group's financial reporting procedure and internal control system are adequate to enable the Company to meet its obligations under the Listing Rules (“**Internal Control Review**”).

As disclosed in the announcement of the Company dated 11 March 2019, the Company has completed the Internal Control Review and announced the relevant results. However, due to the delay in despatch of the annual report for the year ended 2018 and interim report for the six months ended 30 June 2019 and publication of the interim results for the six months ended 30 June 2019, the Company engaged ZHONGHUI ANDA Risk Services Limited to perform internal control review and announcement of the internal control review results is expected to be made in June 2020.

### **CONTINUOUS SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 31 March 2014. Trading in the Shares will remain suspended until further notice. The Company will make further announcements on the latest development of the Group as and when appropriate pursuant to the requirements of the Listing Rules. The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares. Shareholders and potential investors should note that the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the Creditors Schemes, the Whitewash Waiver and the Special Deal are subject to various conditions which may or may not be fulfilled, in particular, whether the Stock Exchange will allow the Acquisition and accompanying transactions to proceed. Therefore, such transactions may or may not materialise and proceed.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Company pursuant to the Restructuring Agreement
“Acquisition Consideration”	HK\$843,697,325, being the aggregate consideration for the purchase of the Sale Shares and the Sale Loan pursuant to the Restructuring Agreement
“Adjusted Ordinary Shares”	the ordinary share(s) of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“Anhui Haoze Property”	Anhui Haoze Property Limited* (安徽豪澤置業有限責任公司), a company established in the PRC with limited liability
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Auditor”	ZHONGHUI ANDA CPA Limited, the Company’s auditor
“Authorised Share Capital Diminution”	the proposed cancellation of the authorised but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the Capital Reduction) in its entirety immediately upon the Capital Reduction taking effect
“Authorised Share Capital Increase”	the proposed increase of the authorised share capital of the Company to HK\$1,000,000,000 immediately following the Authorised Share Capital Diminution taking effect
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong

“BVI”	the British Virgin Islands
“Capital Reduction”	the proposed reduction of par value of each Consolidated Share in issue from HK\$0.20 to HK\$0.01 upon the Share Consolidation becoming effective
“Capital Reorganisation”	the proposed restructuring of the capital of the Company comprising, (i) the Share Consolidation, (ii) the Capital Reduction, (iii) the Authorised Share Capital Diminution, (iv) the Authorised Share Capital Increase, and (v) the Share Premium Cancellation
“Cayman Companies Laws”	the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Circular”	the relevant circular in relation to, among others, the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the Creditors Schemes, the Whitewash Waiver and the Special Deal to be despatched by the Company
“Claim”	means any debt, liability or obligation of the Company, whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated and which includes without limitation a debt or liability to pay money or money’s worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution which would be admissible to proof in a compulsory winding-up of the Company under the Companies Ordinance and Cayman Companies Law
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Company”	Flyke International Holdings Ltd., a company incorporated in the Cayman Islands whose issued Shares are listed on the Stock Exchange (Stock Code: 1998)
“Completion”	completion of the Proposed Restructuring



“Completion Date”	the date which is the Long Stop Date or five (5) Business Days after the date on which the last of the conditions precedent of the Restructuring Agreement are satisfied or waived (as the case may be) by written notice, whichever is earlier, or any other date as agreed between the Company, the Subscriber, Vendor 1 and Vendor 2 in writing
“Concert Group”	the Vendors, the Subscriber and any parties acting in concert with any of them
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	a total of 6,859,320,000 new Adjusted Ordinary Shares credited as fully paid at the Issue Price, to be allotted and issued by the Company, as to 6,516,354,000 new Adjusted Ordinary Shares to Vendor 1 (or its respective nominee(s)) and 342,966,000 new Adjusted Ordinary Shares to Vendor 2 (or his respective nominee(s)) pursuant to the Restructuring Agreement, representing approximately 80.21% and 4.22%, respectively, of the enlarged issued share capital of the Company at Completion
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.20 each in the capital of the Company upon the Share Consolidation becoming effective but prior to the Capital Reduction becoming effective
“Creditors”	means any person to whom or which the Company owes a Claim
“Creditors Schemes”	the schemes of arrangement proposed by the Company to its Creditors pursuant to the Companies Ordinance and the Cayman Companies Law on the terms that the Creditors accept in full discharge of their Claim at a rateable distribution from (a) the cash amount of HK\$6,400,000 out of the Subscription Consideration; (b) 208,140,000 Scheme Shares; and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies which shall be transferred in full to the scheme administrators with, or subject to, any modification, addition or conditions approved or imposed by the High Court and the Grand Court

“Creditors Schemes Consideration”	the amount of HK\$32,001,220 comprising cash in the amount of HK\$6,400,000 and 208,140,000 Scheme Shares credited as fully paid at the Issue Price
“Current Resumption Proposal”	means a proposal containing information as to the restructuring of the affairs, equity and debt obligations of the Company submitted to the Stock Exchange on 17 December 2019 for approval for the purpose of seeking a resumption of trading of its shares on the Main Board of the Stock Exchange, subject to such conditions as the Stock Exchange may direct
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed transfer of the Scheme Companies to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes for the benefit of the Creditors pursuant to the terms of the Creditors Schemes
“EGM”	an extraordinary general meeting of the Company to be convened for the purposes of considering, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Acquisition and the allotment and issue of the Consideration Shares, the Subscription and the allotment and issue of the Subscription Shares, the Public Offer and the allotment and issue of the Public Offer Shares, the Preferential Offer and the allotment and issue of the Reserved Shares, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed adoption of the New Memorandum and Articles, the proposed appointment of proposed Directors and the proposed adoption of the New Share Option Scheme
“Enlarged Group”	the Group upon Completion (i.e. the Group and the Target Group)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegate

“Existing Controlling Shareholders”	Mr. Lin and Super Creation International Limited (a company wholly-owned by Mr. Lin) were interested in 480,000,000 Shares, representing approximately 59.07% of the issued share capital of the Company as at the date of this announcement, which have been fully charged by Mr. Lin to Mr. Li, an Independent Third Party
“Existing Memorandum and Articles”	the existing memorandum of association and articles of association of the Company
“Flyke China”	福建省飛克體育用品有限公司 (Feike Sports Products Co., Ltd. Fujian*), a company established in the PRC with limited liability
“First Delisting Stage”	the first delisting stage, in which the Company was being placed by the Stock Exchange under Practice Note 17 of the Listing Rules, which had expired on 24 May 2017
“First Resumption Proposal”	the proposal containing information as to the restructuring of the affairs, equity and debt obligations of the Company submitted to the Stock Exchange on 11 January 2017 (as supplemented by subsequent submissions by the Company) for approval for the purpose of seeking a Resumption
“Fujian Xin Wei”	鑫威(福建)輕工有限公司 (Xin Wei (Fujian) Light Industry Co. Ltd.*), a company established in the PRC with limited liability
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“Hefei Haoze Land”	Hefei Haoze Land Limited* (合肥豪澤置業有限責任公司), a company established in the PRC with limited liability
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors who have no direct or indirect interest in the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver and the Special Deal
“Independent Financial Adviser”	being the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver and the Special Deal and an Independent Third Party
“Independent Shareholder(s)”	shareholders of the Company other than (i) the Vendors, their respective associates and parties acting in concert with any of them; (ii) Mr. Lin, his associates and parties acting in concert with any of them; (iii) the Subscriber, its respective associates and parties acting in concert with it and/or (iv) those shareholders of the Company who are interested or involved in (other than solely as a shareholder of the Company) the Capital Reorganisation, the Acquisition, the Subscription, the Share Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver and/or the Special Deal and therefore permitted to vote in relevant resolution(s)
“Independent Third Party(ies)”	third party(ies) who are (i) independent of and not connected person(s) (within the meaning of the Listing Rules) of the Company, its subsidiaries and (ii) not a Shareholder
“Issue Price”	HK\$0.123, being the issue price per Adjusted Ordinary Share to be allotted and issued under the Subscription, the Acquisition, the Creditors Schemes and the Share Offer
“Last Trading Day”	28 March 2014, being the last trading day before the suspension of trading in the Shares since 09:00 a.m. on 31 March 2014

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Long Stop Date”	31 December 2020 or such other date as the parties to the Restructuring Agreement may agree in writing
“Luoyang Haoze Land”	Luoyang Haoze Land Limited* (洛陽豪澤文旅置地有限責任公司), a company established in the PRC with limited liability
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange and which, for avoidance of doubt, excludes GEM of the Stock Exchange
“Mr. Li”	Mr. Li Heshi (李和獅先生)
“Mr. Lin”	Mr. Lin Wenjian (林文建先生), the existing controlling Shareholder holding approximately 59.07% of the total issued share capital of the Company as at the date of this announcement
“Mr. Tai”	Mr. Tai Kai Hing (戴啟興先生), the sole shareholder of the Subscriber
“Ms. Huai” or “Vendor 1’s Warrantor”	Ms. Huai Shu Ying (懷淑英女士), being Vendor 1’s warrantor under the Restructuring Agreement
“Nanjing Haoze Property”	Nanjing Haoze Property Limited* (南京豪澤置業有限責任公司), a company established in the PRC with limited liability
“Nanjing Huaize Property”	Nanjing Huaiza Property Limited* (南京懷澤置業有限責任公司), a company established in the PRC with limited liability
“New Memorandum and Articles”	the new memorandum of association and articles of association to be adopted by the Shareholders at the EGM, further information of which will be set out in the Circular

“New Share Option Scheme”	the share option scheme to be adopted by an ordinary resolution to be passed by the Shareholders at the EGM, further details of which will be set out in the Circular
“Outstanding Audit Issues”	the audit issues mentioned in the announcement made by the Company dated 31 March 2014
“Placing”	the placing of the Placing Shares pursuant to the Placing Underwriting Agreement
“Placing Underwriter”	the placing underwriter, being Independent Third Party(ies), to be appointed for the Placing
“Placing Underwriting Agreement”	the placing agreement to be entered into between the Vendors, the Company and the Placing Underwriter
“Placing Share(s)”	1,121,980,000 Adjusted Ordinary Shares, being the aggregate number of the Adjusted Ordinary Shares to be placed pursuant to the Placing (without taking into account the Reserved Shares) (and a total of 1,365,760,000 Adjusted Ordinary Shares taking into account the Reserved Shares)
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, excluding Hong Kong, the Special Administrative Region of Macau and the territory of Taiwan
“PRC Subsidiaries”	福建省飛克體育用品有限公司 (Feike Sports Products Co., Ltd. Fujian*) and 鑫威(福建)輕工有限公司 (Xin Wei (Fujian) Light Industry Co. Ltd.*)
“Preferential Entitlement”	the entitlement of the Qualifying Shareholder(s) to apply for the Reserved Shares under the Preferential Offer on an assured basis to be determined on the basis of their respective shareholdings in the Company as at the close of business on the Preferential Offer Record Date
“Preferential Offer”	the preferential offer to the Qualifying Shareholders of 243,780,000 Reserved Shares as Preferential Entitlement at the Share Offer Price
“Preferential Offer Record Date”	the date by reference to which entitlements under the Preferential Offer are to be determined

“Previous Share Option Scheme”	the share option scheme adopted by the Company on 24 February 2010 and lapsed on 24 February 2020
“Proposed Restructuring”	the proposed restructuring of the Group comprising the Capital Reorganisation, the Acquisition, the Subscription, the Creditors Schemes and the Share Offer
“Prospectus”	the prospectus in relation to the Share Offer
“Public Offer”	the offer of the Public Offer Shares at the Share Offer Price of HK\$0.123 per Public Offer Share for subscription by the public in Hong Kong
“Public Offer Share(s)”	the 203,100,000 new Adjusted Ordinary Shares (subject to adjustment as described in the paragraph headed “The Share Offer”) being offered by the Company for subscription under the Public Offer
“Public Offer Underwriter(s)”	the underwriter(s), being Independent Third Party(ies), of the Public Offer
“Public Offer Underwriting Agreement”	an underwriting agreement to be entered into by the Company and the Public Offer Underwriter(s) in respect of the Public Offer
“Qualifying Shareholder(s)”	means the Shareholders whose names appear on list of shareholders of the Company as at the Preferential Offer Record Date, other than the overseas shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient to exclude them from the Preferential Offer
“Reorganisation”	the reorganisation of those members of the Target Group (other than the Target Company) to be held directly or indirectly by the Target Company
“Reserved Shares”	the 243,780,000 new Adjusted Ordinary Shares being offered by the Company to Qualifying Shareholders pursuant to the Preferential Offer as the Preferential Entitlement, which are to be allocated out of the Placing Shares being offered under the Placing

“Restructuring Agreement”	the restructuring agreement dated 17 December 2019 entered into amongst the Company, the Vendors, the Subscriber and Ms. Huai relating to the restructuring of the debt and equity of the Company
“Resumption”	resumption of trading in the Shares or the Adjusted Ordinary Shares, as applicable, on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the amount to be owed (if any) by the Target Company to Vendors at Completion
“Sale Shares”	the entire issued share capital of the Target Company
“Scheme Companies”	Win Eagle International Holdings Limited, Xinwei Hong Kong Investment Limited, 福建省飛克體育用品有限公司 (Feike Sports Products Co., Ltd. Fujian*) and 鑫威(福建)輕工有限公司 (Xin Wei (Fujian) Light Industry Co. Ltd. *)
“Scheme Share(s)”	a total of 208,140,000 new Adjusted Ordinary Shares credited as fully paid at the Issue Price as part of the Creditors Schemes Consideration
“Second Delisting Stage”	the second delisting stage, in which the Company was being placed by the Stock Exchange under Practice Note 17 of the Listing Rules, which had expired on 14 May 2019
“Second Resumption Proposal”	the proposal containing information as to the restructuring of the affairs, equity and debt obligations of the Company submitted to the Stock Exchange on 6 December 2018 (as supplemented by subsequent submissions by the Company) for approval for the purpose of seeking a Resumption, subject to such conditions as the Stock Exchange may direct
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time



“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every two (2) Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$0.20 each
“Share Offer”	the Preferential Offer, the Public Offer and the Placing
“Share Offer Price”	HK\$0.123, the price at which the SO Shares are to be subscribed for and issued pursuant to the Share Offer
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company as at the effective date of the Capital Reorganisation
“Shareholder(s)”	holder(s) of the Share(s) or Adjusted Ordinary Share(s) (as the case may be)
“SO Share(s)”	the Reserved Shares, the Public Offer Shares and the Placing Shares
“SO Underwriters”	the Public Offer Underwriter(s) and Placing Underwriter
“SO Underwriting Agreements”	the Public Offer Underwriting Agreement and Placing Underwriting Agreement
“Special Deal”	the proposed settlement of the indebtedness due to Mr. Lin under the Creditors Schemes following completion of the Disposal, hence the Disposal as well as the proposed settlement of the indebtedness due to Mr. Lin under the Creditors Schemes will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Southern Global Holdings Limited, a company incorporated in the BVI with liability on 16 August 2016 and wholly-owned by Mr. Tai
“Subscription”	the subscription of the Subscription Shares by the Subscriber at the Issue Price pursuant to the Restructuring Agreement

“Subscription Consideration”	the aggregate amount of HK\$25,000,980 for the subscription of the Subscription Shares
“Subscription Share(s)”	203,260,000 new Adjusted Ordinary Shares
“Takeovers Code”	the Code on Takeovers and Mergers
“Target Company”	Billion Fabulous Holdings Limited (兆發控股有限公司), a limited liability company incorporated under the laws of the BVI
“Target Group”	Target Company and its subsidiaries, each a “member of the Target Group”
“Third Delisting Stage”	the third delisting stage under Practice Note 17 of the Listing Rules
“Track Record Period”	three financial years ended 31 December 2018 and six months ended 30 June 2019
“Vendor 1”	Haoze Financial Holdings Limited* (豪澤金融控股有限公司), which will hold 95% equity interests in the Target Group upon completion of the Reorganisation and which is ultimately wholly owned by Ms. Huai, being an Independent Third Party
“Vendor 2”	Mr. Sze Hon Yeung, who will hold 5% equity interests in the Target Group upon completion of the Reorganisation, through his wholly-owned entity, being party acting in concert (as defined in the Takeovers Code) with Vendor 1
“Vendors”	collectively, Vendor 1 and Vendor 2
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on Vendor 1 to make a mandatory general offer under Rule 26 of the Takeovers Code for all the issued Adjusted Ordinary Shares of the Company (not already owned or agreed to be acquired by the Concert Group) as a result of the allotment and issue of the Consideration Shares

“Working Capital Advance”	the aggregate amount of approximately HK\$14.05 million advanced by the Subscriber to the Company as at the date of the Restructuring Agreement and further amounts to be advanced by the Subscriber to the Company from time to time prior to Completion pursuant to the Restructuring Agreement
“%”	per cent

*For the purpose of this announcement, unless the context otherwise requires or expressly specified, conversion of Hong Kong dollars into Renminbi are based on the approximate exchange rate of HK\$1.00 to RMB\$0.8975. Such exchange rate is for the purpose of illustration only and do not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.*

*The English names of the Chinese companies, entities, departments, facilities, certificates, titles and the like marked with “\*” are translations of their Chinese names and are included in this announcement for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

For and on behalf of  
**Flyke International Holdings Ltd.**  
**CHIN Chang Keng Raymond**  
*Executive Director*

Hong Kong, 18 June 2020

*As of the date of this announcement, the executive Director is Mr. CHIN Chang Keng Raymond and the independent non-executive Directors are Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe.*

*All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Concert Group and the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*Mr. Tai, being the sole director of the Subscriber, accepts full responsibility for the accuracy of the information relating to the Subscriber and its parties acting in concert contained in this announcement and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by the director of the Subscriber in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*Ms. Huai being the sole director of Vendor 1 accepts full responsibility for the accuracy of the information relating to Vendor 1 and the Target Group and their respective parties acting in concert contained in this announcement and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed by the director of Vendor 1 in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*Vendor 2 accepts full responsibility for the accuracy of the information relating to Vendor 2 and the Target Group and their respective parties acting in concert contained in this announcement and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by him in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

## APPENDIX I — PROPERTY VALUATION REPORT

*The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this Announcement, received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest as at 31 March 2020.*



16/F  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

18 June 2020

The Directors  
Billion Fabulous Holdings Ltd.  
7/F, 9 Des Voeux Road West  
Sheung Wan  
Hong Kong

Dear Sirs,

**Re: Portfolio Valuation**

**Instructions, Purpose & Valuation Date** In accordance with the instructions of Billion Fabulous Holdings Ltd. (the “Company”) for us to value the captioned properties (as more particularly described in the valuation report) held by the Company or its subsidiary (together as the “Group”) 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 to provide you with our opinion of the market value in existing state of such properties as at 31 March 2020 (the “Valuation Date”).

**Definition of Market Value** Our valuations of each of the properties represent its market value which in accordance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors is defined 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”.

## **Valuation Bases & Assumptions**

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for its term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. In valuing the properties, we have assumed that the Group has an enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

- (a) value added tax at a rate of 5% of consideration for the property in the PRC;
- (b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and
- (c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%.

As the subject transaction is equity in nature and property transaction will not be involved, the likelihood of any potential tax liability of these properties being crystallized is remote.

**Market Uncertainty  
Alert**

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the valuation date.

**Method of Valuation**

In valuing properties in Group I, which are properties held by the Group for investment in the PRC, we have used direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales evidence as available in the relevant market or, where appropriate, by using investment approach by capitalizing the rental derived from the existing tenancies with due provision of the reversionary rental potential of the properties.

In valuing properties in Group II, which are held by the Group for sale in the PRC, we have used the direct comparison approach assuming sale of these properties in its existing state with the benefit of vacant possession by making reference to comparables sales evidence as available in the relevant market.

In valuing properties in Groups III to V, which are held by the Group under development and for future development respectively in the PRC, we have valued them on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuations, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments. The “market value when completed” represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the valuation date.



**Source of  
Information**

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advise given by the Group on such matters as planning approvals or statutory notices, easements, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, construction cost, sale and purchase consideration, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

**Title Investigation**

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group.

**Site Inspection**

We have inspected the exterior and, wherever possible, the interior of the properties. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

**Currency**

Unless otherwise stated, all money amounts stated in our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith a summary of valuations and the valuation reports.

Yours faithfully,  
for and on behalf of  
**Cushman & Wakefield Limited**  
**Philip C Y Tsang**  
Registered Professional Surveyor (General Practice)  
Registered China Real Estate Appraiser  
*MSc, MRICS, MHKIS*  
*Director*  
*Valuation & Advisory Services*

*Note:* Mr. Philip C.Y. Tsang is a Registered Professional Surveyor who has over 26 years of experience in the valuation of properties in the PRC.

## SUMMARY OF VALUATIONS

<b>Property</b>	<b>Market value in existing state as at 31 March 2020 (RMB)</b>
<b>Group I — Properties held by the Group for investment in the PRC</b>	
1. 2 residential units of Hefengge, Hupo Wuhuan Cheng, Xiyu Road, Shushan District, Hefei City, Anhui Province, the PRC  中國安徽省合肥市蜀山區習友路琥珀五環城和風閣2個住宅單元	5,100,000
2. 4 office units on Level 23 of Block C, Xincheng Guoji, No. 999 Dongliu Road, Shushan District, Hefei City, Anhui Province, the PRC  中國安徽省合肥市蜀山區東流路999號新城國際C座23樓4個辦公單元	9,900,000
3. Fenghewan Shopping Mall and 70 basement car parking spaces, at the junction of Xiyi Avenue and Yaodu Road, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區希夷大道和藥都路交叉口鳳河灣小區商場和70個地下車位	118,000,000
4. Portion held for investment of Liyang Chundu Shopping Mall, east of Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區希夷大道東側酈陽春都商場作投資用途部分	68,600,000
5. The completed investment portion of Phase 3 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城三期完工作投資用途部份	285,000,000
<b>Sub-total of Group I:</b>	<hr/> <b><u>486,600,000</u></b>

<b>Property</b>	<b>Market value in existing state as at 31 March 2020 (RMB)</b>
<b>Group II — Properties held by the Group for Sale in the PRC</b>	
6. Unsold retail portion of Liyang Chundu, east of Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區希夷大道東側酈陽春都未售商業部分	111,600,000
7. Unsold residential and storage portions of Liyang Chundu, east of Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區希夷大道東側酈陽春都住宅和儲物室未售部分	9,970,000
8. Unsold portion of Haoze Lijing, west of Renmin Hospital, South New Area, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區南部新區人民醫院西豪澤酈景未售部分	75,500,000
9. Unsold portion of Phases 1, 2 and 3 of Wanyuecheng, No.3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城一、二和三期未售部分	275,000,000
<b>Sub-total of Group II:</b>	<b><u>472,070,000</u></b>

<b>Property</b>	<b>Market value in existing state as at 31 March 2020 (RMB)</b>
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**Group III — Properties held by the Group under development for investment in the PRC**

10	The under construction portion of the investment portion of Phase 3 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城三期作投資用途部份在建工程	531,000,000  <hr/>
<b>Sub-total of Group III:</b>		<u><u>531,000,000</u></u>

**Group IV — Properties held by the Group under development in the PRC**

11.	The under construction portion of Phase 2 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城二期在建部分	276,000,000
12.	The under construction portion of for commercial portion of Phase 3 of Wanyuecheng, No.3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城三期商業部份在建工程	99,000,000
13.	The under construction of a development situated on the north side of Xingtong Road and on the east side of Yanhe Road, TongyangTown, Chaohu City, Anhui Province, the PRC  中國安徽省巢湖市烔煬鎮興烔路以北、沿河路以東臻悅府在建工程	167,000,000  <hr/>
<b>Sub-total of Group IV:</b>		<u><u>542,000,000</u></u>

<b>Property</b>	<b>Market value in existing state as at 31 March 2020 (RMB)</b>
<b>Group V — Properties held by the Group for future development in the PRC</b>	
14. A parcel of land situated at the south of the junction of Licun Avenue and Xuanzang Road, Yibin District, Luoyang City, Henan Province, the PRC	213,000,000
中國河南省洛陽市伊濱區李村大街玄奘路交口南邊一幅待建土地	_____
<b>Sub-total of Group V:</b>	<b><u>213,000,000</u></b>
<b>Grand total of Groups I to V:</b>	<b><u>2,244,670,000</u></b>

## VALUATION REPORT

### Group I — Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
1. 2 residential units of Hefengge, Hupo Wuhuancheng, Xiyou Road, Shushan District, Hefei City, Anhui Province, the PRC  中國安徽省合肥市蜀山區習友路琥珀五環城和風閣2個住宅單元	The property comprises two residential units of Hefengge, Hupo Wuhuancheng with a total gross floor area of 254.82 sq m completed in 2012.  The land use rights of the property have been granted for a term due to expire on 7 February 2080 for residential use.	As at the valuation date, the property was occupied by the Group.	RMB5,100,000  (RENMINBI FIVE MILLION ONE HUNDRED THOUSAND)

*Notes:-*

- (1) According to two Real Estate Title Certificates Nos. (2017) 0211063 and (2017) 0211060 both dated 12 September 2017, the title of the property, comprising a total gross floor area of 254.82 sq m, has been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for a term due to expire on 7 February 2080 for residential use.
- (2) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.
- (3) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
  - (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificate	Yes
Business License	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
2. 4 office units on Level 23 of Block C, Xincheng Guoji, No. 999 Dongliu Road, Shushan District, Hefei City, Anhui Province, the PRC  中國安徽省合肥市蜀山區東流路999號新城國際C座23樓4個辦公單元	The property comprises four office units on Level 23 of Block C, Xincheng Guoji with a total gross floor area of 898.66 sq m completed in 2014.  The land use rights of the property have been granted for a term due to expire in January 2046 for office use.	As at the valuation date, the property was occupied by the group.	RM 9,900,000  (RENMINBI NINE MILLION NINE HUNDRED THOUSAND)

*Notes:-*

- (1) According to four Real Estate Title Certificates Nos. 8110088309, 8110088311, 8110088313 and 8110088310 dated 29 July 2013, the title of the property, comprising a total gross floor area of 898.66 sq m, has been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for a term due to expire in January 2046 for office use.
- (2) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.
- (3) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
  - (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificate	Yes
Business License	Yes



## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
3.	<p>Fenghewan Shopping Mall and 70 basement car parking spaces, at the junction of Xiyi Avenue and Yaodu Road, Qiaocheng District, Bozhou City, Anhui Province, the PRC</p> <p>中國安徽省亳州市譙城區希夷大道和藥都路交叉口鳳河灣小區商場和70個地下車位</p>	<p>The property comprises a shopping mall located in Fenghewan with a total gross floor area of 9,826.06 sq m completed in 2012.</p> <p>The property also comprises 70 basement car parking spaces with gross floor area of 1,064.68 sq m.</p> <p>The property has a total above and underground gross floor area of 10,890.74 sq m.</p> <p>The land use rights of the property have been granted for a term due to expire in July 2049 for commercial use.</p>	<p>RMB118,000,000</p> <p>(RENMINBI ONE HUNDRED EIGHTEEN MILLION)</p>

*Notes:-*

- (1) According to five Real Estate Title Certificates Nos. 201305834 to 201305838 all dated 17 June 2013, the title of the property, comprising a total gross floor area of 9,826.06 sq m, has been vested in 安徽豪澤置業有限公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial use.

According to Real Estate Title Certificate No. 201203454 dated 17 June 2013, the title of the property, comprising a total underground gross floor area of 1,064.68 sq m, has been vested in 安徽豪澤置業有限公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for car parking use.

- (2) According to a State-owned Land Use Rights Certificate dated 27 October 2009, the land use rights of the property, comprising a total site area of approximately 13,310.10 sq m, have been vested in 亳州市宏宇房地產開發有限公司 (Bozhou Hongyu Property Development Company Limited) for terms due to expire in July 2049 and July 2079 for commercial and residential uses respectively.

- (3) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.

(4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and

(iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificate	Yes
State-owned Land Use Rights Certificate	Yes
Business License	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
4. Portion held for investment of Liyang Chundu Shopping Mall, east of Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區希夷大道東側 酈陽春都商場 作投資用途部分	The property comprises the portion of Liyang Chundu Shopping Mall held for investment with a total gross floor area of 7,078.82 sq m completed in 2014.  The land use rights of the property have been granted for a term due to expire on 26 August 2050 for commercial use.	As at the valuation date, portion of the property was leased and the remaining portion was vacant.	RMB68,600,000  (RENMINBI SIXTY EIGHT MILLION SIX HUNDRED THOUSAND)

*Notes:-*

- (1) According to seven Real Estate Title Certificates Nos. 201421600 to 201421606 all dated 5 November 2014, the title of the property, comprising a total gross floor area of 7,078.82 sq m, has been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for a term due to expire on 26 August 2050 for commercial use.
- (2) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.
- (3) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
  - (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificates	Yes
Business License	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
5. The completed investment portion of Phase 3 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC	The property comprises the completed investment of Phase 3 of Wanyuecheng. As advised by the Group, the property was completed in 2020 and has a planned gross floor area with details as follows:	As at the valuation date, the property was vacant.	RMB285,000,000  (RENMINBI TWO HUNDRED EIGHTY FIVE MILLION)
	<b>Approximate Gross Floor Area</b>		
中國江蘇省南京市高淳區古檀大道3號萬悅城三期完工作投資用途部份		<i>(sq m)</i>	
	Above-ground	16,797.12	
	Below-ground	<u>28,814.00</u>	
	<b>Total</b>	<b><u>45,611.12</u></b>	
	The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.		

*Notes:-*

- (1) According to two Real Estate Title Certificate Nos. (2016) 0002915 dated 2 June 2016 and (2016) 0003733 dated 24 June 2016 issued by 南京市高淳區不動產登記局 (Nanjing Gaochun District Real Estate Registration Bureau), the land use rights of the property comprising a total site area of 135,983.71 sq m have been vested in 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.

- (2) According to two Grant Contracts of State-owned Land Use Rights entered into between Nanjing Land Resource Bureau (the “Grantor”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (the “Grantee”) on 17 December 2014, the land use rights of a total site area of approximately 135,576.92 sq m has been granted to the grantee with details as follows:

Contract No.	Land Use	Issue Date	Planned Gross			
			Site Area (sq m)	Plot Ratio	Floor Area (sq m)	Consideration (RMB)
3201252014CR0062	Residential and commercial	17 December 2014	69,650.12	Less than 2.30	≤160,195.28	138,500,000
3201252014CR0063	Residential and commercial	17 December 2014	65,926.80	Less than 2.30	≤151,631.64	131,100,000
<b>Total</b>			<b><u>135,576.92</u></b>		<b><u>311,826.92</u></b>	<b><u>269,600,000</u></b>

According to an agreement entered into between Nanjing Land Resource Bureau (“Party A”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (“Party B”) on 2 June 2016, the land use rights of a total site area of approximately 406.72 sq m has been granted to Party B for a consideration of RMB808,791 for residential use.

- (3) According to Planning Permit for Construction Use of Land No. 320125201580001 issued by 南京市規劃局 (Nanjing Planning Bureau) on 23 January 2015, the construction site of a parcel of land with a total site area of 135,576.92 sq m, is in compliance with the urban planning requirements.
- (4) According to Planning Permit for Construction Works No. 320100201610457 issued by 南京市規劃局 (Nanjing Planning Bureau) dated 2 July 2016, the construction works of the development project with a total planned gross floor area of 46,908.78 sq m are in compliance with the construction works requirements and have been approved.
- (5) According to Permit for Commencement of Construction Works No. 320125201607150201 issued by 南京市高淳區建築工程局 (Nanjing Gaochun Construction Bureau) dated 15 July 2016, the construction works of the development project with a total planned gross floor area of 46,908.77 sq m are in compliance with the requirements for works commencement and have been permitted.
- (6) According to Business License No. 91320118085955104U dated 28 April 2019, 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) was established on 5 March 2014 as a limited company with a registered capital of RMB100,000,000.
- (7) We have been provided with a legal opinion issued by the Company’s PRC legal advisor, which contains, inter alia, the following information:
- (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificate	Yes
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes

## VALUATION REPORT

### Group II — Properties held by the Group for Sale in the PRC

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
6. Unsold retail portion of Liyang Chundu, east of Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC  中國安徽省亳州市譙城區希夷大道東側酈陽春都未售商業部分	The property comprises the unsold retail portion of Liyang Chundu with a total gross floor area of 6,976.15 sq m completed in 2014.  The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 26 August 2050 and 26 August 2080 respectively.	As at the valuation date, portion of the property was leased and the remaining portion of the property was vacant.	RMB111,600,000  (RENMINBI ONE HUNDRED ELEVEN MILLION SIX HUNDRED THOUSAND)

*Notes:-*

- (1) According to two State-owned Land Use Rights Certificate Nos. (2013) 01012 and (2013) 01014 issued by Bozhou Peoples' Government on 19 June 2013, the land use rights of the property comprising a total site area of 35,321.00 sq m have been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 26 August 2050 and 26 August 2080 respectively.
- (2) According to sixteen Real Estate Title Certificates, the title of the property, comprising a total gross floor area of 6,976.15 sq m, has been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial use.
- (3) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
  - (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Business License	Yes



## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
7. Unsold residential and storage portions of Liyang Chundu, east of Xiyi Avenue, Qiaocheng District, Bozhou City, Anhui Province, the PRC	The property comprises the residential and storage portions of Liyang Chundu completed in 2014 with a total gross floor area with details as follows:	As at the valuation date, the property was vacant.	RMB9,970,000  (RENMINBI NINE MILLION NINE HUNDRED SEVENTY THOUSAND)
	<b>Approximate Gross Floor Area</b>		
		<i>(sq m)</i>	
中國安徽省亳州市譙城區希夷大道東側	Above-ground	1,152.72	
酈陽春都住宅和儲物室未售部分	Below-ground	<u>198.31</u>	
	<b>Total</b>	<b><u>1,351.03</u></b>	

The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 26 August 2050 and 26 August 2080 respectively.

*Notes:-*

- (1) According to two State-owned Land Use Rights Certificate Nos. (2013) 01012 and (2013) 01014 issued by Bozhou Peoples' Government on 19 June 2013, the land use rights of the property comprising a total site area of 35,321.00 sq m have been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 26 August 2050 and 26 August 2080 respectively.
- (2) According to ten Real Estate Title Certificates, the title of the property, comprising a total gross floor area of 1,988.48 sq m, has been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for residential use.
- (3) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
  - (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and

(iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Business License	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
8. Unsold portion of Haoze Lijing, west of Renmin Hospital, South New Area, Qiaocheng District, Bozhou City, Anhui Province, the PRC	The property comprises the unsold portion of Haoze Lijing completed in the period between 2017 and 2018 with a total gross floor area with details as follows:	As at the valuation date, the property was vacant.	RMB75,500,000  (RENMINBI SEVENTY FIVE MILLION FIVE HUNDRED THOUSAND)
	<b>Approximate Gross Floor Area</b>		
		<i>(sq m)</i>	
中國安徽省亳州市譙城區南部新區	Above-ground	680.32	
人民醫院西豪澤酈景未售部分	Below-ground	<u>25,769.34</u>	
	<b>Total</b>	<b><u>26,449.66</u></b>	

The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 8 May 2054 and 8 May 2084 respectively.

*Notes:-*

- (1) According to State-owned Land Use Rights Certificate No. (2014) 0102 issued by Bozhou Peoples' Government on 16 December 2014, the land use rights of the property comprising a total site area of 60,002.5 sq m have been vested in 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 8 May 2054 and 8 May 2084 respectively.
- (2) According to 4 survey reports dated between 4 November 2015 and 2 May 2017, the gross floor area of the subject development was 240,205.67 sq m.
- (3) According to Business License No. 91341600728532595G dated 11 February 2019, 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) was established on 10 August 2000 as a limited company with a registered capital of RMB100,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
  - (i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC laws;
  - (ii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and

(iii) 安徽豪澤置業有限責任公司 (Anhui Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Business License	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
9. Unsold portion of Phases 1, 2 and 3 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城一、二和三期未售部分	The property comprises the unsold portion of Phases 1,2 and 3 of Wanyuecheng with a total gross floor area of 50,935.17 sq m completed in the period between 2017 and 2019.  The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.	As at the valuation date, the property was vacant.	RMB275,000,000  (RENMINBI TWO HUNDRED SEVENTY FIVE MILLION)

*Notes:-*

- (1) According to two Real Estate Title Certificate Nos. (2016) 0002915 dated 2 June 2016 and (2016) 0003733 dated 24 June 2016 issued by 南京市高淳區不動產登記局 (Nanjing Gaochun District Real Estate Registration Bureau), the land use rights of the property comprising a total site area of 135,983.71 sq m have been vested in 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.
- (2) According to two Grant Contracts of State-owned Land Use Rights entered into between Nanjing Land Resource Bureau (the “Grantor”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (the “Grantee”) on 17 December 2014, the land use rights of a total site area of approximately 135,576.92 sq m has been granted to the grantee with details as follows:

Contract No.	Land Use	Issue Date	Site Area (sq m)	Plot Ratio	Planned Gross	
					Floor Area (sq m)	Consideration (RMB)
3201252014CR0062	Residential and commercial	17 December 2014	69,650.12	Less than 2.30	≤160,195.28	138,500,000
3201252014CR0063	Residential and commercial	17 December 2014	65,926.80	Less than 2.30	≤151,631.64	131,100,000
<b>Total</b>			<b><u>135,576.92</u></b>		<b><u>311,826.92</u></b>	<b><u>269,600,000</u></b>

According to an agreement entered into between Nanjing Land Resource Bureau (“Party A”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (“Party B”) on 2 June 2016, the land use rights of a total site area of approximately 406.72 sq m has been granted to Party B for a consideration of RMB808,791 for residential use.

- (3) According to Planning Permit for Construction Use of Land No. 320125201580001 issued by 南京市規劃局 (Nanjing Planning Bureau) on 23 January 2015, the construction site of a parcel of land with a total site area of 135,576.92 sq m, is in compliance with the urban planning requirements.
- (4) According to Planning Permits for Construction Works issued by 南京市規劃局 (Nanjing Planning Bureau), the construction works of Phase 1, 2 and 3 of Wanyuecheng, with a total gross floor area of 233,755.69 sq m, are in compliance with the construction works requirements and have been approved with details as follows:

<b>Certificate No.</b>	<b>Issue Date</b>	<b>Planned Gross Floor Area (sq m)</b>
320125201480063	31 December 2014	83,570.04
320100201610361	30 May 2016	20,292.29
320125201580040	23 December 2015	18,491.22
320118201610701	9 October 2016	<u>111,402.14</u>
<b>Total</b>		<b><u>233,755.69</u></b>

- (5) According to Permits for Commencement of Construction works issued by 南京市高淳區建築工程局 (Nanjing Gaochun Construction Bureau) the construction works of the development project with a total planned gross floor area of 268,856.70 are in compliance with the requirements for works commencement and have been permitted with details as follows:

<b>Certificate No.</b>	<b>Issue Date</b>	<b>Planned Gross Floor Area (sq m)</b>
320125201505260101	26 May 2015	61,630.61
320125201601060301	6 January 2016	18,225.57
320125201604060101	6 April 2016	17,068.18
320125201604290101	29 April 2016	4,781.28
320125201606170101	17 June 2016	20,292.29
320125201607150201	15 July 2016	46,908.77
320125201610170101	17 October 2016	49,958.00
320125201610170201	17 October 2016	<u>49,992.00</u>
<b>Total</b>		<b><u>268,856.70</u></b>

- (6) According to 23 survey reports dated between 8 May 2015 and 18 March 2019, the gross floor area of the development project has a gross floor area of 201,469.42 sq m.
- (7) According to Business License No. 91320118085955104U dated 28 April 2019, 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) was established on 5 March 2014 as a limited company with a registered capital of RMB100,000,000.

(8) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and

(iii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(9) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificate	Yes
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction works	Yes
Business License	Yes

## VALUATION REPORT

### Group III — Properties held by the Group under development for investment in the PRC

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
10. The under construction development of the investment portion of Phase 3 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC	The property comprises the under construction development of the investment portion of Phase 3 of Wanyuecheng. As advised by the Group, the property is scheduled to be completed in 2020 and has a planned gross floor area with details as follows:	As at the valuation date, the property was under construction.	RMB531,000,000  (RENMINBI FIVE HUNDRED THRITY ONE MILLION)
	<b>Approximate Gross Floor Area</b>		
		<i>(sq m)</i>	
中國江蘇省南京市 高淳區古檀大道3號 萬悅城三期作投資用途 部份在建工程	Above-ground	43,992.84	
	Below-ground	<u>12,725.06</u>	
	<b>Total</b>	<b><u>56,717.90</u></b>	
	The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.		

*Notes:-*

- (1) According to two Real Estate Title Certificate Nos. (2016) 0002915 dated 2 June 2016 and (2016) 0003733 dated 24 June 2016 issued by 南京市高淳區不動產登記局 (Nanjing Gaochun District Real Estate Registration Bureau), the land use rights of the property comprising a total site area of 135,983.71 sq m have been vested in 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.



- (2) According to two Grant Contracts of State-owned Land Use Rights entered into between Nanjing Land Resource Bureau (the “Grantor”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (the “Grantee”) on 17 December 2014, the land use rights of a total site area of approximately 135,576.92 sq m has been granted to the grantee with details as follows:

Contract No.	Land Use	Issue Date	Planned Gross			
			Site Area (sq m)	Plot Ratio	Floor Area (sq m)	Consideration (RMB)
3201252014CR0062	Residential and commercial	17 December 2014	69,650.12	Less than 2.30	≤160,195.28	138,500,000
3201252014CR0063	Residential and commercial	17 December 2014	65,926.80	Less than 2.30	≤151,631.64	131,100,000
<b>Total</b>			<b><u>135,576.92</u></b>		<b><u>311,826.92</u></b>	<b><u>269,600,000</u></b>

According to an agreement entered into between Nanjing Land Resource Bureau (“Party A”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (“Party B”) on 2 June 2016, the land use rights of a total site area of approximately 406.72 sq m has been granted to Party B for a consideration of RMB808,791 for residential use.

- (3) According to Planning Permit for Construction Use of Land No. 320125201580001 issued by 南京市規劃局 (Nanjing Planning Bureau) on 23 January 2015, the construction site of a parcel of land with a total site area of 135,576.92 sq m, is in compliance with the urban planning requirements. There is no special condition attaching to the permit which affects the value of the property.
- (4) According to Planning Permit for Construction Works No. 320118201710245 issued by 南京市規劃局 (Nanjing Planning Bureau) dated 1 April 2017, the construction works of the development project with a total planned gross floor area of 58,053.30 sq m are in compliance with the construction works requirements and have been approved. There is no special condition attaching to the permit which affects the value of the property.
- (5) According to Permits for Commencement of Construction works No. 320125201705260201 issued by 南京市高淳區建築工程局 (Nanjing Gaochun Construction Bureau) dated 26 May 2017, the construction works of the development project with a total planned gross floor area of 56,717.90 sq m are in compliance with the requirements for works commencement. There is no special condition attaching to the permit which affects the value of the property.
- (6) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB116,871,133 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB74,619,963.
- (7) As at the valuation date, the estimated Market Value as if completed of the proposed development is estimated approximately RMB721,000,000.
- (8) According to Business License No. 91320118085955104U dated 28 April 2019, 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) was established on 5 March 2014 as a limited company with a registered capital of RMB100,000,000.

(9) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and

(iii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(10) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificates	Yes
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes

## VALUATION REPORT

### Group IV — Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020
11. The under construction portion of Phase 2 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC  中國江蘇省南京市高淳區古檀大道3號萬悅城二期在建部分	The property comprises the under construction portion of Phase 2 of Wanyuecheng.  As advised by the Group, the property is scheduled to be completed in 2020 and has a planned gross floor area with details as follows:	As at the valuation date, the property was under construction.	RMB276,000,000  (RENMINBI TWO HUNDRED SEVENTY SIX MILLION)
	<b>Approximate Gross Floor Area</b> (sq m)		
	Above-ground	57,559.08	
	Below-ground	<u>10,669.77</u>	
	<b>Total</b>	<b><u>68,228.85</u></b>	
	The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.		

*Notes:-*

- (1) According to two Real Estate Title Certificate Nos. (2016) 0002915 dated 2 June 2016 and (2016) 0003733 dated 24 June 2016 issued by 南京市高淳區不動產登記局 (Nanjing Gaochun District Real Estate Registration Bureau), the land use rights of the property comprising a total site area of 135,983.71 sq m have been vested in 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.

- (2) According to two Grant Contracts of State-owned Land Use Rights entered into between Nanjing Land Resource Bureau (the “Grantor”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (the “Grantee”) on 17 December 2014, the land use rights of a total site area of approximately 135,576.92 sq m has been granted to the grantee with details as follows:

Contract No.	Land Use	Issue Date	Site Area		Planned Gross	
			(sq m)	Plot Ratio	Floor Area (sq m)	Consideration (RMB)
3201252014CR0062	Residential and commercial	17 December 2014	69,650.12	Less than 2.30	≤160,195.28	138,500,000
3201252014CR0063	Residential and commercial	17 December 2014	65,926.80	Less than 2.30	≤151,631.64	131,100,000
<b>Total</b>			<b><u>135,576.92</u></b>		<b><u>311,826.92</u></b>	<b><u>269,600,000</u></b>

According to an agreement entered into between Nanjing Land Resource Bureau (“Party A”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (“Party B”) on 2 June 2016, the land use rights of a total site area of approximately 406.72 sq m has been granted to Party B for a consideration of RMB808,791 for residential use.

- (3) According to Planning Permit for Construction Use of Land No. 320125201580001 issued by 南京市規劃局 (Nanjing Planning Bureau) on 23 January 2015, the construction site of a parcel of land with a total site area of 135,576.92 sq m, is in compliance with the urban planning requirements. There is no special condition attaching to the permit which affects the value of the property.
- (4) According to Planning Permit for Construction Works No. 320118201710136 issued by 南京市規劃局 (Nanjing Planning Bureau) dated 24 February 2017, the construction works of Phase 2-2 of Wanyuecheng, with a total gross floor area of 58,197.70 sq m, are in compliance with the construction works requirements and have been approved. There is no special condition attaching to the permit which affects the value of the property.

According to Planning Permit for Construction Works No. 320118201610701 issued by 南京市規劃局 (Nanjing Planning Bureau) dated 9 October 2016, the construction works of basement B zone with a gross floor area of 15,085.74 sq m, are in compliance with the construction works requirements and have been approved. There is no special condition attaching to the permit which affects the value of the property.

- (5) According to Permits for Commencement of Construction works issued by 南京市高淳區行政審批局 (Nanjing Gaochun Administrative Approval Bureau) the construction works of the development project with a total planned gross floor area of 68,228.85 sq m are in compliance with the requirements for works commencement and have been permitted with details as follows:

Certificate No.	Issue Date	Planned Gross
		Floor Area (sq m)
320125201712200101	20 December 2017	31,073.85
320125201712200201	20 December 2017	<u>37,155.00</u>
<b>Total</b>		<b><u>68,228.85</u></b>

There is no special condition attaching to the permit which affects the value of the property.

- (6) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB63,081,474 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB137,388,735.
- (7) As at the valuation date, the estimated Market Value as if completed of the proposed development is estimated approximately RMB472,000,000.
- (8) According to Business License No. 91320118085955104U dated, 28 April 2019 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) was established on 5 March 2014 as a limited company with a registered capital of RMB100,000,000.
- (9) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
- (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.
- (10) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificates	Yes
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits of Constuction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes

## VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 March 2020										
12	<p>The under construction portion of for sale portion of Phase 3 of Wanyuecheng, No. 3 Gutan Avenue, Gaochun District, Nanjing City, Jiangsu Province, the PRC</p> <p>中國江蘇省南京市高淳區古檀大道3號萬悅城三期在建工程</p>	<p>The property comprises the under construction portion of for sale portion of Phase 3 of Wanyuecheng</p> <p>As advised by the Group, the property is scheduled to be completed in 2020 and has a planned gross floor area with details as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>Approximate Gross Floor Area</b></th> </tr> <tr> <th colspan="2" style="text-align: center;"><i>(sq m)</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Above-ground</td> <td style="text-align: right;">18,768.59</td> </tr> <tr> <td style="text-align: left;">Below-ground</td> <td style="text-align: right;"><u>4,220.76</u></td> </tr> <tr> <td style="text-align: left;"><b>Total</b></td> <td style="text-align: right;"><b><u>22,989.35</u></b></td> </tr> </tbody> </table>	<b>Approximate Gross Floor Area</b>		<i>(sq m)</i>		Above-ground	18,768.59	Below-ground	<u>4,220.76</u>	<b>Total</b>	<b><u>22,989.35</u></b>	<p>As at the valuation date, the property was under construction.</p> <p style="text-align: right;">RMB99,000,000  (RENMINBI NINETY NINE MILLION)</p>
<b>Approximate Gross Floor Area</b>													
<i>(sq m)</i>													
Above-ground	18,768.59												
Below-ground	<u>4,220.76</u>												
<b>Total</b>	<b><u>22,989.35</u></b>												
	<p>The land use rights of the property have been granted for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.</p>												

*Notes:-*

- (1) According to two Real Estate Title Certificate Nos. (2016) 0002915 dated 2 June 2016 and (2016) 0003733 dated 24 June 2016 issued by 南京市高淳區不動產登記局 (Nanjing Gaochun District Real Estate Registration Bureau), the land use rights of the property comprising a total site area of 135,983.71 sq m have been vested in 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited), a wholly owned subsidiary of the Group, for commercial and residential uses with terms due to expire on 16 December 2054 and 16 December 2084 respectively.

- (2) According to two Grant Contracts of State-owned Land Use Rights entered into between Nanjing Land Resource Bureau (the “Grantor”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (the “Grantee”) on 17 December 2014, the land use rights of a total site area of approximately 135,576.92 sq m has been granted to the grantee with details as follows:

Contract No.	Land Use	Issue Date	Site Area		Planned Gross		Consideration (RMB)
			(sq m)	Plot Ratio	Floor Area (sq m)		
3201252014CR0062	Residential and commercial	17 December 2014	69,650.12	Less than 2.30	≤160,195.28		138,500,000
3201252014CR0063	Residential and commercial	17 December 2014	65,926.80	Less than 2.30	≤151,631.64		131,100,000
<b>Total</b>			<b><u>135,576.92</u></b>		<b><u>311,826.92</u></b>		<b><u>269,600,000</u></b>

According to an agreement entered into between Nanjing Land Resource Bureau (“Party A”) and 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) (“Party B”) on 2 June 2016, the land use rights of a total site area of approximately 406.72 sq m has been granted to Party B for a consideration of RMB808,791 for residential use.

- (3) According to Planning Permit for Construction Use of Land No. 320125201580001 issued by 南京市規劃局 (Nanjing Planning Bureau) on 23 January 2015, the construction site of a parcel of land with a total site area of 135,576.92 sq m, is in compliance with the urban planning requirements. There is no special condition attaching to the permit which affects the value of the property.
- (4) According to Planning Permits for Construction Works No. 320118201710589 issued by 南京市規劃局 (Nanjing Planning Bureau) dated 24 July 2017, the construction works of the development project with a total planned gross floor area of 22,989.35 sq m are in compliance with the construction works requirements and have been approved. There is no special condition attaching to the permit which affects the value of the property.
- (5) According to Permits for Commencement of Construction Works No. 320125201712140201 issued by 南京市高淳區行政審批局 (Nanjing Gaochun Administrative Approval Bureau) dated 14 December 2017, the construction works of the development project with a total planned gross floor area of 22,989.35 sq m are in compliance with the requirements for works commencement and have been permitted. There is no special condition attaching to the permit which affects the value of the property.
- (6) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB42,234,474 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB 25,144,982.
- (7) As at the valuation date, the estimated Market Value as if completed of the proposed development is estimated approximately RMB142,000,000.
- (8) According to Business License No. 91320118085955104U dated 28 April 2019, 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) was established on 5 March 2014 as a limited company with a registered capital of RMB100,000,000.

(9) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;

(ii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and

(iii) 南京豪澤置業有限責任公司 (Nanjing Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(10) The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

Real Estate Title Certificates	Yes
Grant Contracts of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes



## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2020
<p>13. The under construction of a development situated on the north side of Xingtong Road and on the east side of Yanhe Road, Tongyang Town, Chaohu City, Anhui Province, the PRC</p> <p>中國安徽省巢湖市 烔煬鎮興烔路以北、 沿河路以東 臻悅府在建工程</p>	<p>The property comprises the under construction development known as 臻悅府 developed on a parcel of land with a site area of 28,393.40 sq m.</p> <p>As advised by the Group, the property is scheduled to be completed in 2021 and has a planned gross floor area with details as follows:</p>	<p>As at the valuation date, the property was under construction.</p>	<p>RMB167,000,000</p> <p>(RENMINBI ONE HUNDRED SIXTY SEVEN MILLION)</p>
	<p><b>Approximate Gross Floor Area</b> (sq m)</p>		
	<p>Above-ground</p>	<p>38,341.04</p>	
	<p>Below-ground</p>	<p><u>17,314.66</u></p>	
	<p><b>Total</b></p>	<p><b><u>55,655.70</u></b></p>	
	<p>The land use rights of the property have been granted for residential use with term due to expire on 10 February 2088.</p>		

*Notes:-*

- (1) According to State-owned Land Use Rights Certificate No. (2018) 0495394 dated 29 May 2018, the land use rights of a parcel of land with site area of 28,393.40 sq m has been vested in 合肥豪澤置業有限責任公司 (Hefei Haoze Property Company Limited), a wholly owned subsidiary of the Group, for residential use with term due to expire on 10 February 2088.

- (2) According to Grant Contracts of State-owned Land Use Rights entered into between Chaohu Land Resource Bureau (the “Grantor”) and 合肥豪澤置業有限責任公司 (Hefei Haoze Property Company Limited) (the “Grantee”) on 10 February 2018, the land use rights of a parcel of land with site area of 28,393.40 sq m has been granted to the grantee with details as follows:

Contract No.	Land Use	Site Area (sq m)	Plot Ratio	Planned Gross	Consideration (RMB)
				Floor Area (sq m)	
340181 (2018) 10	Residential	28,393.40	Less than 1.35	≤38,331.09	97,957,230

- (3) According to Planning Permit for Construction Use of Land No. 341402201800010 issued by 巢湖市規劃局 (Chaohu Planning Bureau) on 25 May 2018, the construction site of a parcel of land with a total site area of 28,393.40 sq m, is in compliance with the urban planning requirements. There is no special condition attaching to the permit which affects the value of the property.
- (4) According to Planning Permit for Construction Works No. 341402201800051 issued by 巢湖市規劃局 (Chaohu Planning Bureau) dated 21 September 2018, the construction works of the development project with a total planned gross floor area of 55,655.70 sq m are in compliance with the construction works requirements and have been approved. There is no special condition attaching to the permit which affects the value of the property.
- (5) According to Permit for Commencement of Construction Works No. 3401811809050102-SX-001 dated 25 October 2018 the construction works of the development project with a total planned gross floor area of 55,655.70 sq m are in compliance with the requirements for works commencement and have been permitted . There is no special condition attaching to the permit which affects the value of the property.
- (6) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB63,299,481 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB95,918,519.
- (7) As at the valuation date, the estimated Market Value as if completed of the proposed development is estimated approximately RMB336,000,000.
- (8) According to Business License No. 91340181MA2RFUYF8H (1-1) dated 17 January 2018, 合肥豪澤置業有限責任公司 (Hefei Haoze Property Company Limited) was established on 17 January 2018 as a limited company with a registered capital of RMB100,000,000.
- (9) We have been provided with a legal opinion issued by the Company’s PRC legal advisor, which contains, inter alia, the following information:
- (i) The Real Estate Title Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 合肥豪澤置業有限責任公司 (Hefei Haoze Property Company Limited) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 合肥豪澤置業有限責任公司 (Hefei Haoze Property Company Limited) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to with the consent of the mortgagee and release of the mortgage.

(10) The status of title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business License	Yes

## VALUATION REPORT

### Group V — Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2020
14. A parcel of land situated at the south of the junction of Licun Avenue and Xuanzang Road, Yibin District, Luoyang City, Henan Province, the PRC  中國河南省洛陽市伊濱區李村大街玄奘路交口南邊一幅待建土地	The property comprises a parcel of land with a site area of 85,499.82 sq m.  The maximum permitted above-ground gross floor area of the property is approximately 100,722.07 sq m. As advised by the Group, the proposed development on the property is scheduled to be completed in 2021 and has a planned above and underground gross floor area of 130,268.67 sq m.  The land use rights of the property have been granted for residential and commercial uses with term due to expire on 12 November 2085 for residential use and with term due to expire on 12 November 2055 for commercial use	As at the valuation date, the property was bare land.	RMB213,000,000  (RENMINBI TWO HUNDRED THIRTEEN MILLION)

*Notes:-*

- (1) According to State-owned Land Use Rights Certificate No. 00073616 dated 7 November 2019, the land use rights of a parcel of land with site area of 16,680.68 sq m has been vested in 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.), a wholly owned subsidiary of the Group, for commercial use with term due to expire on 12 November 2055.

According to State-owned Land Use Rights Certificate No. 00073512 dated 7 November 2019, the land use rights of a parcel of land with site area of 68,819.14 sq m has been vested in 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.) for residential and commercial uses with term due to expire on 12 November 2085 for residential use and with term due to expire on 12 November 2055 for commercial use.

- (2) According to Grant Contract of State-owned Land Use Rights No. (2015) 12 entered into between Luoyang Land Resource Bureau (the “Grantor”) and 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.) on 12 October 2015, the land use rights of a parcel of land with site area of 16,680.677 sq m and maximum permitted plot ratio of 1.50 has been granted to the grantee for a consideration of RMB13,761,559 for commercial use.

According to Grant Contract of State-owned Land Use Rights No. (2015) 13 entered into between Luoyang Land Resource Bureau (the “Grantor”) and 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.) on 12 October 2015, the land use rights of a parcel of land with site area of 68,819.142 sq m and maximum permitted plot ratio of 1.10 has been granted to the grantee for a consideration of RMB56,775,792 for residential and commercial uses.

- (3) According to Business License No. 9141030035343666X0 dated 10 December 2018, 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.) was established on 19 August 2015 as a limited company with a registered capital of RMB200,000,000 for a valid operation period from 19 August 2015 to 18 August 2035.
- (4) We have been provided with a legal opinion issued by the Company’s PRC legal advisor, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;
  - (ii) 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.) is the sole legal land user of the property and has obtained Real Estate Title Certificates of the property; and
  - (iii) 洛陽豪澤文旅置地有限責任公司 (Luoyang Haoze Cultural Tourism Property Development Co., Ltd.) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of title and grant of major approvals and licenses in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Business License	Yes