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

If you have sold or transferred all your shares in China VAST Industrial Urban Development Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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China VAST Industrial Urban Development Company Limited

中國宏泰產業市鎮發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6166)

**(1) PROPOSED AMENDMENT TO THE TERMS OF
THE CONVERTIBLE NOTES AND GRANT OF
SPECIFIC MANDATE TO ISSUE CONVERSION SHARES
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the board of directors of the Company is set out on pages 5 to 21 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Units 3707-08, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 30 December 2021 at 10:00 a.m. is set out on pages 22 to 23 of this circular.

A proxy form for use in the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same at the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

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DEFINITIONS

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

“Amendment”	the proposed amendments of the terms and conditions of the Convertible Notes pursuant to the terms of the Fourth Deed of Amendment
“Announcements”	the announcements of the Company dated 27 December 2017, 9 January 2018, 8 January 2021, 18 January 2021 and 4 October 2021 in relation to, inter alia, the issue of the Convertible Notes and the Notes, the extension of the maturity date thereunder and amendment to the terms thereof
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“China Jinmao”	China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code 817, and a substantial shareholder of the Company
“Company”	China VAST Industrial Urban Development Company Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the main board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period during which the Convertible Notes may be converted into Conversion Shares
“Conversion Price”	the conversion price per Conversion Share at HK\$2.82, as may be adjusted from time to time in accordance with the terms of the Convertible Notes
“Conversion Shares”	the Shares to be allotted and issued by the Company upon conversion of the Convertible Notes

DEFINITIONS

“Convertible Notes”	the 6% guaranteed convertible notes with initial aggregate principal amount of US\$50,000,000 issued by the Company to the Initial Investor on the Initial Issue Date pursuant to the Notes Subscription Agreement (as amended by the Deeds of Amendment)
“Deeds of Amendment”	the First Deed of Amendment, the Second Deed of Amendment, the Third Deed of Amendment and the Fourth Deed of Amendment
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the Shareholders to consider and approve the Amendment and the grant of the Specific Mandate
“First Deed of Amendment”	the deed of amendment dated 16 July 2019 entered into by and between the Company, the Guarantors and the Initial Investor
“Fourth Deed of Amendment”	the Fourth Deed of Amendment dated 11 December 2021 entered into between the Company, the Guarantors and the Initial Investor in relation to the Amendment
“Group”	the Company and its subsidiaries
“Guarantors”	(i) the Subsidiary Guarantors, (ii) the controlling shareholders of the Company, i.e. Profit East Limited (利東有限公司) and Ms. ZHAO Ying, and (iii) Mr. WANG Jianjun, an executive Director and the spouse of Ms. ZHAO Ying
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Investor”	Chance Talent Management Limited, a company incorporated in the British Virgin Islands with limited liability
“Initial Issue Date”	9 January 2018, being the date the Convertible Notes and the Notes were first issued to the Initial Investor

DEFINITIONS

“Latest Practicable Date”	13 December 2021, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Convertible Notes
“Notes”	the guaranteed notes with initial aggregate principal amount of US\$110,000,000 issued by the Company to the Initial Investor on the Initial Issue Date pursuant to the Notes Subscription Agreement (as amended by the Deeds of Amendment)
“Notes Subscription Agreement”	the note subscription agreement dated 27 December 2017 entered into between the Company, the Guarantors and the Initial Investor in relation to the subscription of the Convertible Notes in the initial principal amount of US\$50,000,000 and the Notes in the initial principal amount of US\$110,000,000, respectively, as amended and supplemented by the Deeds of Amendment
“Second Deed of Amendment”	the deed of amendment dated 8 January 2021 entered into by and between the Company, the Guarantors and the Initial Investor
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM to approve, inter alia, the allotment and issuance of the Conversion Shares upon full conversion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantors”	Shing Cheong Holdings Ltd., China Vast International Holdings Limited (中國宏泰國際控股有限公司), Sheng Shi International (HK) Development Limited and King Billion Corporation Limited (兆帝有限公司), each a wholly-owned subsidiary of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Third Deed of Amendment”	the deed of amendment dated 4 October 2021 entered into between the Company, the Guarantors and the Initial Investor
“Transaction Documents”	the Note Subscription Agreement, the terms and conditions of the Convertible Notes, the terms and conditions of the Notes, the Deeds of Amendment and other transaction documents in respect of the Convertible Notes and the Notes
“%”	per cent.

For the purpose of this circular and for illustration purpose only, the exchange rate between US\$ and HK\$ is US\$1:HK\$7.8 and no representation is made that any amount in US\$ or HK\$ could have been or could be converted at such rates or at any other rates.

LETTER FROM THE BOARD



China VAST Industrial Urban Development Company Limited

中國宏泰產業市鎮發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6166)

Non-executive Director:

Mr. Song Liuyi (*Chairman*)

Executive Directors:

Mr. Wang Jianjun (*President*)

Mr. Zhao Lei (*Chief Financial Officer*)

Mr. Yang Yun (*Vice President*)

Mr. Wang Yagang (*Vice President*)

Ms. Wang Wei

Independent non-executive Directors:

Dr. Wong Wing Kuen, Albert

Ms. Hsieh Yafang

Professor Wang Yijiang

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business and

Head Office in the PRC:

China Vast Development Building

Hongtai East 2nd Avenue

Chaoyang District

Beijing China

Principal Place of Business

in Hong Kong:

Units 3707-08, 37/F

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

14 December 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED AMENDMENT TO THE TERMS OF
THE CONVERTIBLE NOTES AND GRANT OF
SPECIFIC MANDATE TO ISSUE CONVERSION SHARES
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 December 2021 regarding the entering into of the conditional Fourth Deed of Amendment by the Company and the Initial Investor, among others, to amend certain terms of the Convertible Notes.

The purpose of this circular is to provide you with, amongst other things, details of the proposed Amendment as contemplated under the Fourth Deed of Amendment and the notice convening the EGM.

LETTER FROM THE BOARD

BACKGROUND

Reference is made to the announcements of the Company dated 27 December 2017 and 9 January 2018 in relation to the issue of 6% guaranteed Convertible Notes in the principal amount of US\$50,000,000 due 2021 and 6% guaranteed Notes and in the principal amount of US\$110,000,000 due 2019, 2020 and 2021. The Convertible Notes and the Notes were issued to the Initial Investor on 9 January 2018.

On 16 July 2019, the Company, the Guarantors and the Initial Investor entered into the First Deed of Amendment to partially redeem the Notes in the principal amount of US\$16 million.

On 8 January 2021, the Company, the Guarantors and the Initial Investor entered into the Second Deed of Amendment to extend the maturity date in respect of the outstanding principal amount of the Convertible Notes (i.e. US\$50 million) and the Notes (i.e. US\$46 million) for one year to 10 January 2022 and to amend the redemption premium of the Convertible Notes and the Notes, the percentage of administration fee and the conversion price of the Convertible Notes, and the terms of the Transaction Documents were updated accordingly to reflect such changes, details of which were set out in the announcement of the Company dated 8 January 2021.

On 4 October 2021, the Company, the Guarantors and the Initial Investor entered into the Third Deed of Amendment to amend the maturity date of the Convertible Notes and the Notes from the date falling 48 months from the issue date of the Convertible Notes and the Notes (as applicable) to 31 December 2021 and the terms of the Transaction Documents were updated accordingly to reflect such change, details of which were set out in the announcement of the Company dated 4 October 2021.

On 11 December 2021, the Company, the Guarantors and the Initial Investor entered into the Fourth Deed of Amendment, pursuant to which, the parties conditionally agreed to extend the maturity date in respect of the outstanding Convertible Notes in the principal amount of US\$50 million and the outstanding Notes in the principal amount of US\$16 million to 31 December 2022 and to amend certain terms of the Transaction Documents as set out in the announcement of the Company dated 12 December 2021 and set out below.

FOURTH DEED OF AMENDMENT

Date: 11 December 2021

Parties: (i) the Company

(ii) the Guarantors

(iii) the Initial Investor

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Initial Investor is an indirect wholly-owned subsidiary of China Construction Bank Corporation, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 939) and A shares are listed on The Shanghai Stock Exchange (stock code: 601939), and the Initial Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

Amendment

Pursuant to the Fourth Deed of Amendment, the terms of the Convertible Notes shall be amended as follows:

- Maturity Date : 31 December 2022
- Conversion Price : HK\$2.82 per Conversion Share, subject to adjustment in accordance with the terms of the Convertible Notes
- Guarantee : The obligations of the Company in respect of the Convertible Notes are guaranteed (i) by the Subsidiary Guarantors jointly and severally in full, (ii) by the controlling shareholders of the Company (i.e. Profit East Limited and Ms. Zhao Ying) and Mr. Wang Jianjun jointly and severally as to 70.1%, and (iii) by China Jinmao severally as to 29.9%.

Save for the above, all other material terms and conditions of the Convertible Notes as disclosed in the Announcements will remain unchanged, and will continue in full force and effect.

Conversion Price

The Conversion Price of HK\$2.82 per Conversion Share represents:

- (a) a premium of approximately 74.07% over the closing price of HK\$1.62 per Share as quoted on the Hong Kong Stock Exchange on 10 December 2021, being the last trading day before the entering into of the Fourth Deed of Amendment;
- (b) a premium of approximately 67.86% over the closing price of HK\$1.68 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (c) a premium of approximately 69.88% over the average closing price of HK\$1.66 per Share as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days immediately prior to the date of the Fourth Deed of Amendment; and
- (d) a premium of approximately 69.88% over the average closing price of HK\$1.66 per Share as quoted on the Hong Kong Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Fourth Deed of Amendment.

The conversion price of the Convertible Notes is currently HK\$3.33, which was adjusted pursuant to the terms of the Convertible Notes from HK\$3.54, being the conversion price arrived at after arm's length negotiation between the Company and the Initial Investor at the time of entering into of the Second Deed of Amendment on 8 January 2021, representing a premium of approximately 17% over the then market price of the Share. The Conversion Price of HK\$2.82 pursuant to the Amendment was arrived at after arm's length negotiations having taking into account the recent market prices per Share and the conversion price of the convertible bonds in the principal amount of US\$123,275,892 issued by the Company in July 2021 (being HK\$2.82 after the adjustment in October 2021 as a result of distribution of final dividend of HK\$0.18 per Share for the year ended 31 December 2020 from the initial conversion price of HK\$3.05 of the convertible bonds, representing a premium of approximately 0.66% over the market price of the Share at the time of entry of the subscription agreement regarding the convertible bonds on 28 June 2021).

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Taking into consideration of the above factors and that the Conversion Price pursuant to the Amendment represents a premium of approximately 67.9% to 74.1% over the recent market prices per Share (which is far above the premiums in January and June 2021 as set out above), the Directors are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conversion Shares

As at the Latest Practicable Date, the outstanding principal amount of the Convertible Notes is US\$50 million (or HK\$390 million). Based on the Conversion Price of HK\$2.82 (subject to adjustment), upon full conversion of the Convertible Notes, 138,297,873 Conversion Shares (with an aggregate nominal value of HK\$1,382,978.73) shall be issued, representing approximately 8.38% of the existing issued share capital of the Company and approximately 7.73% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue, and will be allotted and issued under the Specific Mandate to be sought at the EGM upon exercise of the conversion rights under the Convertible Notes. The Specific Mandate, if granted, shall be valid until 31 December 2022, being the Maturity Date of the Convertible Notes.

Conditions precedent

The proposed Amendment shall be subject to the fulfillment of the following conditions by 31 December 2021:

- (1) the Hong Kong Stock Exchange having granted its approval for the Amendment of the Convertible Notes pursuant to Rule 28.05 of the Listing Rules;
- (2) the passing by the Shareholders of all necessary resolution(s) at the EGM to approve the proposed Amendment and the grant of the Specific Mandate for allotment and issue of the Conversion Shares upon conversion of the Convertible Notes;
- (3) the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the Conversion Shares which shall fall to be issued by the Company upon full conversion of the Convertible Notes;
- (4) the Initial Investor having received the relevant Transaction Documents (such as the deeds poll in respect of the Convertible Notes and the Note instrument) and corporate documentation (such as copies of the board resolutions of each of the Company and the corporate Guarantors approving the transactions contemplated by the Fourth Deed of Amendment);
- (5) the Initial Investor having completed its internal approval procedures in respect of the transactions contemplated by the Fourth Deed of Amendment; and
- (6) a guarantor accession deed having been executed and delivered by China Jinmao.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

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SUMMARY OF THE PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

Save for the Amendment set out above, all other key terms of the Convertible Notes, including the ones set out below, remain unchanged:

- Issuer : the Company
- Outstanding principal amount : US\$50,000,000
- Coupon rate : 6% per annum on the outstanding principal amount of the Convertible Notes, payable semi-annually in arrears
- Ranking : The Convertible Notes constitute direct, general, unsubordinated, unconditional obligations of the Company and at all times rank at least pari passu with all other present and future unsecured payment obligations of the Company, except for obligations mandatorily preferred by law applying to the companies generally.
- Adjustment Events : The Conversion Price shall from time to time be adjusted, among other things, in the following circumstances:
- (i) If and whenever there shall be an alteration to the nominal amount of each Share by reason of any consolidation or subdivision, the Conversion Price in force immediately prior to such consolidation or subdivision shall be adjusted by multiplying it by the following fraction:

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

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

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- (ii) If and whenever the Company shall issue (other than pursuant to scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account fund or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of Shares in issue immediately before such issue; and

D = the aggregate nominal amount of Shares issued in connection with and as a result of such capitalisation.

- (iii) If and whenever the Company shall make (whether on a reduction of capital or otherwise) any capital distribution to all Shareholders (in their capacity as such) (including, but not limited to, such a distribution pursuant to a reduction or redemption of share capital, share premium account fund or otherwise) or shall grant to such Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the closing price per Share on the Hong Kong Stock Exchange on the trading day immediately preceding the date on which the capital distribution or, as the case may be, the grant is announced (whether or not such capital distribution or grant is subject to the approval of the holders of Shares or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant (the "Relevant Date") (or, where there is no closing price on such trading day, the closing price on the trading day on which there was a closing price immediately preceding the Relevant Date); and

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F = the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant, as determined in good faith by an approved investment bank, of the portion of the capital distribution or of such rights which is attributable to one Share.

- (iv) If and whenever the Company shall offer to all Shareholders new Shares for subscription by way of rights, or shall grant to all Shareholders any options or warrants to subscribe for new Shares, at a price per new Share which is less than 90% of the market price on the date of the offer or grant is announced (whether or not such offer or grant is subject to the approval of the Shareholders or other persons), the Conversion Price in force immediately prior to such offer or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Shares in issue immediately before the date such offer or grant is made or, as the case may be, announced;

H = the number of Shares which the aggregate of the two following amounts would purchase at 90% of such market price: (a) the total amount (if any) payable for the rights, options or warrants being offered or granted by the Company; and (b) the total amount payable for all of the new Shares being offered for subscription by way of rights or comprised in the options or warrants being granted; and

I = the aggregate number of Shares being offered for subscription or comprised in the options or warrants being granted.

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- (v) If and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exercisable for or carrying rights of subscription for new Shares, and the total effective consideration per new Share initially receivable for such securities is less than the market price on the date the issue of such securities is announced (whether or not such issue is subject to the approval of the Shareholders or other persons), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{J + K}{J + L}$$

where:

J = the number of Shares in issue immediately before the date of the issue of such securities;

K = the number of Shares which the total effective consideration receivable for such securities would purchase at such market price (exclusive of any expenses and disbursements incurred in connection therewith); and

L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or subscription price.

- (vi) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in (v) above are modified so that the total effective consideration per new Share initially receivable for such securities shall be less than the market price on the date the proposal to modify such rights of conversion or exchange or subscription is announced, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{M + N}{M + O}$$

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where:

M = the number of Shares in issue immediately before the date of such modification;

N = the number of Shares which the total effective consideration receivable for such securities at the modified conversion or exchange rate or subscription price would purchase at such market price; and

O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

- (vii) If and whenever the Company shall issue wholly for cash any Share at a price which is less than 90% of the market price on the date such issue is announced, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at 90% of such market price (exclusive of any expenses and disbursements incurred in connection therewith); and

R = the number of Shares allotted pursuant to such issue.

- (viii) If and whenever the Company issues wholly for cash any Share at a price which is less than the Conversion Price, the Conversion Price shall be lowered to match the price per new Share.

LETTER FROM THE BOARD

- (ix) If and whenever the Company offers to all Shareholders the new Shares for subscription by way of rights, or grant to all Shareholders any options or warrants to subscribe for new Shares, at a price per new Share which is less than the Conversion Price, the Conversion Price shall be lowered to match the price per new Share.
- (x) If and whenever the Company or any of its subsidiaries issues wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total effective consideration per new Share initially receivable for such securities is less than the Conversion Price, the Conversion Price shall be lowered to match the total effective consideration per new Share.
- (xi) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in (x) above are modified so that the total effective consideration per new Share initially receivable for such securities is less than the Conversion Price, the Conversion Price shall be lowered to match the total effective consideration per new Share.

- Conversion Period : The period beginning on, and including, the issue date up to the close of business of the business day immediately prior to the Maturity Date (both days inclusive)
- Conversion rights and restrictions : Holder(s) of the Convertible Notes shall have the right at any time during the Conversion Period require the Company to convert all or a portion of the Convertible Notes into Conversion Shares credited as fully paid and free from any security interest at the Conversion Price (subject to adjustment).

For so long as any Convertible Note remains outstanding and exercisable, the Company shall ensure that the aggregate amount of the Convertible Notes converted or to be converted within any period of 30 consecutive business days shall not be more than US\$20,000,000.

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Redemption : Unless previously redeemed, converted or cancelled, the Company will redeem the Convertible Notes on the Maturity Date at an aggregate price of (a) an amount that would yield to that investor a return of 8.5% per annum; (b) the total principal amount outstanding of the Convertible Notes then held by that investor; (c) all amounts of accrued but unpaid interest on the Convertible Notes then outstanding and held by that investor; and (d) fees, expense and any other amounts due and payable under the Transaction Documents.

If holder(s) of the Convertible Notes elects to require the Company to redeem the Convertible Notes in full following the occurrence of an event of default, the Company will redeem all the outstanding Convertible Notes in the amount equivalent to the sum of (a) an amount that would yield a return of 18% per annum; (b) the total principal amount outstanding of such portion of the Convertible Notes; (c) all amounts of accrued but unpaid interest on such portion of the Convertible Notes then outstanding; and (d) fees, expense and any other amounts due and payable under the Transaction Documents.

Event of default : The Transaction Documents contain certain customary events of default, including the followings:

- (i) non-payment of principal or interest
- (ii) breaches of the terms of the Convertible Notes
- (iii) any representation or warranty given under the Transaction Documents being incorrect or misleading
- (iv) cross-default
- (v) insolvency or insolvency proceedings or creditors' process
- (vi) cessation of business
- (vii) the Transaction Documents becoming not effective or it becoming unlawful for any of the parties thereto to perform their respective obligations thereunder
- (viii) the Company's auditors qualifying or disclaiming any part of the audited annual consolidated financial statements of the Company

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- (ix) Profit East Limited or Ms. Zhao Ying ceasing to be the single largest direct or indirect shareholder of the Company or to maintain an aggregate beneficial ownership of not less than 34% of the Company's total issued Shares
- (x) any of the Subsidiary Guarantor ceasing to be a wholly-owned subsidiary of the Company
- (xi) the Shares being suspended or halted from trading on the Main Board of the Hong Kong Stock Exchange due to any adverse effect on the Group or the Share price
- (xii) delisting of the Shares
- (xiii) event or series of events having occurred, which in the reasonable opinion of the majority holders of the Convertible Notes has or is likely to have a material adverse effect

If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

- Transferability : The Convertible Notes shall be freely transferable in whole or in part.
- Listing : No application will be made by the Company for the listing of the Convertible Notes. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The following shareholding table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full conversion of the Convertible Notes (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date):

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Convertible Notes	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Profit East Limited and Ms. Zhao Ying ⁽¹⁾	727,845,654	44.08	727,845,654	40.67
China Jinmao	493,720,010	29.90	493,720,010	27.59
Initial Investor ⁽²⁾	10,293,000	0.62	148,590,873	8.30
Other public Shareholders	<u>419,378,827</u>	<u>25.40</u>	<u>419,378,827</u>	<u>23.44</u>
Total:	<u>1,651,237,491</u>	<u>100.00</u>	<u>1,789,535,364</u>	<u>100.00</u>

Notes:

1. Represents 723,092,654 Shares directly held by Profit East Limited and 4,753,000 Shares directly held by Tai Shing International Investment Company Limited which is indirectly wholly owned by Ms. Zhao Ying.
2. The conversion of Convertible Notes is based on the assumption that (i) there is no adjustment to the Conversion Price of HK\$2.82; and (ii) there is no redemption of the Convertible Notes pursuant to the terms and condition of the Convertible Notes.

REASONS FOR THE AMENDMENT

The Convertible Notes will have, but for the Amendment, matured on 31 December 2021 upon which the Company would be required to deploy its cash reserves to redeem the Convertible Notes. The Amendment in effect allows the Company to refinance its debts under the Convertible Notes. It will provide flexibility to the Company's working capital management.

In considering the extension of the Convertible Notes and the Amendment, the Company has considered its business plan and capital needs in the coming year. While as of the Latest Practicable Date, the Company has adequate cash reserve to redeem the Convertible Notes, due to COVID-19 and policies restricting the purchase of properties, the property markets in the pan-Beijing area experienced downturn as a whole since the beginning of this year; as a result, land sale in Longhe Park fell short of expectations. In order to increase the overall value and attractiveness of Longhe Park, the Company is planning to put in more resources in the development and construction of Longhe Park. The Company has been actively seeking and exploring ways such as equity fund raising and other debt financing to raise funds to support its capital needs for future business development and to repay its existing debts, and has contacted a number of financial institutions. However, the terms offered by these financial institutions were less favourable and more stringent, including higher interest rates and more stringent guarantee and security requirements. In addition, new equity fund raising and new debt financing would probably require longer period to complete (usually 3 to 4 months for preparation of new documentations, due diligence exercise conducted by new investors and financiers, negotiation of a new sets of terms, among other things) and

LETTER FROM THE BOARD

involve higher costs (such as legal fees from counsels for preparation of new documentations and due diligence reports). Moreover, the Conversion Price pursuant to the Amendment is at a 74% premium over the current market price per Share while the issue price for new equity financing would normally be very close to the market price or at a discount to the market price. Having considered the above, the current market conditions, the current business plan and future capital needs of the Group, the Board considers that the Amendment is a better option to refinance the existing debts under the Convertible Notes and to support its future business development.

The Amendment was arrived at after arm's length negotiations between the Company as the issuer, the Initial Investor as the holder of the Convertible Notes and other parties thereto as guarantors with reference to, among others, the financial position of the Group, the current market conditions and the working capital requirements of the Group. In particular, the Amendment in respect of the guarantee was arrived at after arm's length negotiations by the parties after taking into account the change of shareholding in the Company in June 2021, i.e. the addition of China Jinmao as a substantial shareholder of the Company holding approximately 29.9% shareholding in the Company and the decrease of shareholding in the Company held by Profit East Limited.

Based on the foregoing, the Directors consider that the terms and conditions of the Amendment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds of approximately US\$49.2 million from the issue of the Convertible Notes have been utilized in full as general working capital of the Company as disclosed in the announcement of the Company dated 27 December 2017.

No further proceeds will be received by the Company as a result of the Amendment.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company and its subsidiaries have not conducted any equity fund raising activities in the past twelve months.

Date of announcement	Event	Net proceeds and intended use	Actual use of proceeds
8 January 2021	Extension of the maturity date of the Convertible Notes in the principal amount of US\$50,000,000 issued to the Initial Investor on 9 January 2018	The net proceeds of approximately US\$49.2 million were intended to be applied as general working capital of the Company.	The net proceeds have been utilized in full as general working capital of the Company.

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Date of announcement	Event	Net proceeds and intended use	Actual use of proceeds
28 June 2021	Issue of convertible bonds in the principal amount of US\$123,275,892 to China Jinmao, which was completed on 16 July 2021	The net proceeds of approximately US\$122.3 million were intended to be applied for the purpose of financing its repayment of existing outstanding indebtedness, refinancing its existing indebtedness, meeting the current capital commitments of its investment projects, distribution of dividends and general working capital.	As of the Latest Practicable Date, approximately US\$38.1 million of the net proceeds have been utilized for distribution of dividends and approximately US\$0.5 million as general working capital (including approximately US\$0.3 million for payment of salary, approximately US\$0.1 million for payment of rent and approximately US\$0.1 million for other operating expenses. The remaining net proceeds are expected to be used for the purposes as disclosed in the announcement dated 28 June 2021 as follows: (i) US\$30 million for repayment of the principal of the Notes in December 2021; (ii) US\$10.6 million for interest payment in the first half of 2022; (iii) US\$41 million for repayment of bank and other borrowings in the first half of 2022; and (iv) US\$2.1 million as general working capital.

LETTER FROM THE BOARD

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Pursuant to the terms of the Transaction Documents, Profit East Limited and Ms. Zhao Ying shall, until all obligations under the Transaction Documents have been performed and discharged in full, (a) maintain an aggregate beneficial ownership (directly or indirectly) of not less than 34% of the entire issued capital of the Company; and (b) continue to be the single largest direct or indirect shareholder of the Company. A breach of any such covenant may constitute an event of default. In accordance with the requirements under Rule 13.21 of the Listing Rules, the Company will make disclosures in its subsequent interim and annual reports for so long as circumstances giving rise to the aforesaid specific performance obligation of the controlling shareholders continue to exist.

IMPLICATION UNDER LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Hong Kong Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company has applied for the approval of the Hong Kong Stock Exchange for the Amendment under Rule 28.05 of the Listing Rules.

The Convertible Notes are severally guaranteed by the controlling shareholders, executive Director and substantial shareholder of the Company, which constitute financial assistance provided by connected persons of the Company. As (i) such guarantee is not secured by the assets of the Group, and (ii) the Directors consider that such guarantee is on normal commercial terms or better to the Group, the guarantee provided by the controlling shareholders, executive Director and substantial shareholder of the Company pursuant to the Amendment is fully exempt from reporting, announcement, circular, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Since the Amendment is subject to the fulfillment of the conditions as set out in the Fourth Deed of Amendment, the Amendment may or may not become effective. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

EGM

Set out on pages 22 to 23 of this circular is a notice convening the EGM to be held at Units 3707-08, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 30 December 2021 at 10:00 a.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Amendment and the grant of Specific Mandate.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the Latest Practicable Date, the Initial Investor directly held and controlled over the voting right in respect of 10,293,000 Shares, representing approximately 0.62% of the total issued Shares, and save for these 10,293,000 Shares, neither the Initial Investor or its associates controls or is entitled to exercise control over the voting right in respect of any other Shares. The Initial Investor is regarded as having material interest in the Amendment and will abstain from voting at the EGM. Save for the Initial Investor, no other Shareholders is regarded as having a material interest in the Amendment or the Fourth Deed of Amendment and is required to abstain from voting at the EGM approving the Amendment and the grant of Specific Mandate.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 29 December 2021 to Thursday, 30 December 2021 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose name appear on the register of members of the Company on 30 December 2021 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 28 December 2021.

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

The Board considers that the Amendment and the terms and conditions thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

Yours faithfully
For and on behalf of the Board
**China VAST Industrial Urban
Development Company Limited**
Song Liuyi
Chairman

NOTICE OF EGM



China VAST Industrial Urban Development Company Limited

中國宏泰產業市鎮發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6166)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholder(s)**”) of China VAST Industrial Urban Development Company Limited (the “**Company**”) will be held at Units 3707-08, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 30 December 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the Amendment as defined in the circular dated 14 December 2021 despatched to the shareholders of the Company (the “**Circular**”) and contemplated under the Fourth Deed of Amendment (as defined in the Circular) (a copy of which having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company be and is hereby granted a specific mandate to allot and issue the conversion shares which may fall to be issued by the Company upon exercise of the conversion rights attached to the Convertible Notes (as defined in the Circular) in accordance with the terms and conditions of the Convertible Notes as amended by the Fourth Deed of Amendment; and
- (c) any one or more directors of the Company (the “**Directors**”) be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the Amendment contemplated under the Fourth Deed of Amendment into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Director in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Fourth Deed of Amendment.”

By Order of the Board
**China VAST Industrial Urban
Development Company Limited**
Song Liuyi
Chairman

Hong Kong, 14 December 2021

NOTICE OF EGM

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Units 3707-08, 37/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.
3. Where there are joint Shareholders, any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint Shareholders be present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.
4. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.
5. For determining the entitlement to attend and vote at the EGM, the Register of Members of the Company will be closed from 29 December 2021 to 30 December 2021, both dates inclusive, during which period no transfer of shares will be registered.
6. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 28 December 2021.
7. **BAD WEATHER ARRANGEMENTS:** If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed and Shareholders will be informed of the date, time and venue of the postponed meeting by an announcement posted on the websites of the Company and the Hong Kong Stock Exchange. The meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force and Shareholders will be informed of the date, time and venue of the postponed meeting by an announcement posted on the websites of the Company and the Hong Kong Stock Exchange. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.
8. The following precautionary measures will be taken by the Company for the EGM to prevent the spread of the COVID-19 epidemic: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks throughout the meeting; and (iii) no provision of refreshments and souvenirs. Any person who does not comply with the precautionary measures may be denied entry into the meeting venue. Shareholders are encouraged to appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the meeting as an alternative to attending the meeting in person. Due to the constantly evolving COVID-19 epidemic situation in Hong Kong, the Company may be required to change the arrangements of this meeting at short notice. Shareholders should check any future announcement(s) which may be published by the Company.
9. As at the date of this notice, the non-executive director of the Company is Mr. SONG Liuyi; the executive directors of the Company are Mr. WANG Jianjun, Mr. ZHAO Lei, Mr. YANG Yun, Mr. WANG Yagang and Ms. WANG Wei; and the independent non-executive directors of the Company are Dr. WONG Wing Kuen, Albert, Ms. HSIEH Yafang and Professor WANG Yijiang.