



15 September 2022

To the Shareholders

Dear Sir or Madam,

**VARIATION OF TERMS IN RELATION TO
A VERY SUBSTANTIAL DISPOSAL
IN RELATION TO DISPOSAL OF SHARES IN
GBA HOLDINGS LIMITED
&
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 16 November 2021, 10 December 2021, 14 December 2021, 20 December 2021, 26 January 2022, 15 March 2022, 6 May 2022, 16 May 2022, 4 July 2022, 28 July 2022, 18 August 2022, 24 August 2022, 31 August 2022 and the 2021 Circular in relation to the Disposal.



On 15 November 2021, the Vendors, being indirect wholly-owned subsidiaries of the Company, the Purchaser and the Company as guarantor, entered into the Agreement, pursuant to which the Vendors conditionally agreed to sell the Sale Shares to the Purchaser at a total consideration of HK\$250,000,000. The Disposal was approved by the Shareholders at the special general meeting of the Company convened on 17 January 2022. Subsequently, the parties agreed to amend and supplement the terms of the Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the principal terms of the Agreement and the reasons for the variation of the terms of the Agreement; (ii) the financial information of the Group; (iii) the financial information of the Target Company; (iv) the notice convening the SGM; and (v) other information required to be disclosed pursuant to the Listing Rules.

THE AGREEMENT

Set out below is a summary of the principal terms of the Agreement:

Subject Matter

The Sale Shares represent a total of approximately 29.19% of all the issued shares of the Target Company.

Consideration

The Consideration was HK\$250,000,000.

As at the Latest Practicable Date, HK\$60,000,000 as deposits had been paid by the Purchaser and the balance of HK\$190,000,000 would be payable as follows:

- (a) HK\$40,000,000 shall be payable by the Purchaser to the First Vendor or its nominee (or to each of the Vendors or their nominees in such proportion to be further notified by the Vendors to the Purchaser), upon Completion; and
- (b) HK\$150,000,000 shall be settled by the Promissory Notes to be issued by the Purchaser to the Vendors (or their nominee(s)), upon Completion.

The Promissory Notes shall carry interest at a coupon rate of 5% per annum, with maturity date on the date of the first anniversary from the Completion Date. The payment and performance of the Promissory Notes by the Purchaser shall be secured by the Share Charges. The obligations of the Purchaser under the Promissory Notes and the Share Charges will be guaranteed by Mr. Ong. Under the Fifth Supplemental Agreement, Mr. Ong and the Purchaser agreed that for so long as the Promissory Notes remain outstanding, unless prior written consent has been obtained from the Vendors, all and any income received by the Purchaser, including but not limited to any proceeds from the disposal of, as well as cash dividends, distributions, other payments or moneys received and/or held by the Purchaser in respect of the Sale Shares, and/or any other assets of the Purchaser shall be immediately applied towards repayment of the Promissory Notes to the Vendors.



Conditions Precedent

Completion is subject to and is conditional upon the satisfaction or waiver (as applicable) of each of the following conditions precedent:

- (i) the ordinary shares of the Target Company remaining listed and traded on Main Board of the Stock Exchange at all times from the date of the Agreement to the Completion Date, subject to any suspension or halt of trading in connection with the Agreement and the transactions hereunder, and subject to any other suspension or halt of trading that does not last for more than fourteen (14) consecutive Trading Days;
- (ii) it has not come to the attention of the Purchaser that any material adverse change has occurred or is likely to occur prior to the Completion Date;
- (iii) the Purchaser being satisfied with the results of the due diligence review;
- (iv) if warranties remaining true and accurate and not misleading in all respects and all the undertakings under the Agreement having been complied with by the Vendors;
- (v) the Shareholders having approved the entering into of the Agreement and the transaction contemplated thereunder in accordance with the requirements of the Listing Rules;
- (vi) all necessary consents, authorisations, licenses and approvals for and in connection with the sale and purchase of the Sale Shares having been obtained by the Vendors; and
- (vii) all necessary consents, authorisations, licenses and approvals for and in connection with the sale and purchase of the Sale Shares having been obtained by the Purchaser.

The Purchaser may at any time waive the foregoing conditions set out in items (i), (ii), (iii) and (iv) above. If any of the foregoing conditions precedent has not been satisfied, or, as the case may be, waived by the Purchaser within 120 days from the date of the Agreement or such later date as the Purchaser may agree, the Agreement shall cease and determine (save and except the surviving provisions which shall continue to have full force and effect) and in which event the Purchaser shall within five Business Days of the determination of the Agreement transfer back, at nil consideration, to the Vendors the Sale Shares or any part thereof delivered to the Purchaser and subject to such transfer, the Vendors shall, after deduction of all fees, costs and expenses incurred by the Vendors in connection with the transactions contemplated under the Agreement, refund to the Purchaser the deposit monies actually received (without interest) to the Purchaser within five Business Days of the determination of the Agreement and neither party shall have any obligations and liabilities hereunder save for the surviving provisions and any antecedent breaches of the terms hereof.

As the Latest Practicable Date, conditions (iii) and (vii) have been satisfied.



Other Undertaking

Pursuant to the Agreement, the Vendors agreed and undertook in favour of the Purchaser to procure the holders of 10,914,993,990 Share Options (prior to Share Consolidation) to surrender their respective Share Options for cancellation, and, if necessary, to procure the necessary board resolutions to be duly passed to effectuate the same, on or before Completion. All the holders of the Share Options have indicated that they will surrender their respective Share Options prior to Completion without any compensation payable to them.

As at the Latest Practicable Date, 74,699,939 of the above Share Options (following Share Consolidation) remain outstanding, details of which are as follows:

Share Options Holders	Current Capacity in the Target Company	No. of Share Options (after Share Consolidation)
Mak Shiu Tong, Clement	–	26,200,000
Cheng Yuk Ching, Flora	Consultant	34,450,000
Chow Siu Ngor	–	350,000
Lau Ho Kit, Ivan	–	350,000
Tam King Ching, Kenny	Independent non-executive director	350,000
Other eligible participant	–	12,999,939
Total		<u>74,699,939</u>

COMPLETION

Completion shall take place on the Business Day immediately following the SGM, subject to the resolution proposed under the SGM having been approved by the Shareholders.

As at the Latest Practicable Date, out of the Sale Shares, 180,000,000 Shares, representing approximately 9.79% of all the issued shares of the Target Company, have been transferred by the Second Vendor to the Purchaser. The balance of the Sale Shares will be transferred to the Purchaser at Completion.

Upon Completion, the Vendors will cease to have any shareholding interest in the Target Company.



REASONS AND BENEFITS OF THE AGREEMENT

As stated in the 2021 Circular, the Directors consider that it was a good opportunity for the Group to realise its investment in the Target Company so as to better allocate the Group's resources to focus on the other principal businesses of the Group. The Disposal would generate more cash flow of the Group and enhance the financial position of the Group.

The Company was informed by the Purchaser that due to the recent outbreak of the new wave of the COVID-19 pandemic in the beginning of 2022 and the consequential preventative and other measures imposed by different governmental authorities, there have been dramatic changes to the macro environment and general economy, which led to tighter credit control of financial institutions and the continued delay and disruption in various administrative procedures (including banking procedures). As a result, the Purchaser was not able to arrange its financing for the full payment of the consideration as originally contemplated under the Agreement.

According to the Purchaser, the Consideration was originally to be partially financed by its then shareholders, namely Mr. Ong and Mr. Chu, who held the Purchaser in equal shares at the time when the Agreement was first entered into. Mr. Chu originally planned to source his funding from a financier based in Japan. The Purchaser has stated to the Board that since December 2021, there were various internal communications and administrative obstacles on the part of this Japanese financier due to another wave of outbreak of COVID-19 epidemic in Japan, which caused serious delay and disruption in bank procedures (in particular, travel restrictions which caused difficulties in physical exchange of original documents and face-to-face verification requirements on withdrawal or transmission of substantial amounts of money, as required by the bank). The delay had been further intensified by the hospitalisation of one of the members of senior management of the Japanese financier due to COVID-19, which resulted in significant disturbance on the internal funding approval process.

The Purchaser stated that it has been working to complete the Disposal and avoid further delay. Given that Mr. Chu was not able to access his source of funding for consummating the Disposal, in around May 2022, Mr. Chu and Mr. Ong agreed that Mr. Chu shall transfer all his shareholding in the Purchaser to Mr. Ong, such that Mr. Ong became the sole shareholder of the Purchaser.

Following the acquisition of shareholdings in the Purchaser in May 2022, Mr. Ong proceeded to identify alternative sources of funding in Hong Kong, in order to replace the funding for the portion of the consideration that should have been contributed by Mr. Chu.

As advised by Mr. Ong, as at the Latest Practicable Date, Mr. Ong has received indications from various financiers in providing funding in the amount of HK\$150 million to the Purchaser and Mr. Ong. While Mr. Ong has been in active negotiations with those potential financiers to finalise the terms and conditions of the financing, Mr. Ong expected that more time would still be required to conclude the relevant finance documents. As such, the parties agreed that the balance of the consideration of HK\$150 million would be settled by the guaranteed and secured Promissory Notes upon completion.



The Purchaser has confirmed to the Company that it has funds readily available to settle the Consideration in part in the amount of HK\$40,000,000 upon Completion with the balance to be satisfied by the Promissory Notes. Furthermore, the Purchaser was confident that it would be able to redeem the principal amount of the Promissory Notes and the interests accrued when they fall due. In order to fortify the Purchaser's obligations under the Promissory Notes, it was also agreed that the Promissory Notes will be secured by the Share Charges and the obligations of the Promissory Notes and the Share Charges will be guaranteed by Mr. Ong.

After careful consideration of the following factors, the Board considered that it is in the best interest of the Company and the Shareholders as a whole to accept the variations to the terms of the Agreement and continue to proceed with the Disposal as contemplated under the Agreement:

(i) Performance of the Target Company

In recent years, the Target Company has been in a loss position due to (a) the difficult operating environment for its principal businesses; (b) the Chinese Government's continuing tightened policies on residential properties which affect the Target Company's property development business in China; and (c) the COVID-19 pandemic. The Target Group is in the principal businesses of property development and investment in mainland China and finance business in Hong Kong. Since the second half of 2021, the property development sector has entered into a period of adjustment and the development of the Target Group's property development and investment is uncertain. In Hong Kong, as recently announced by the Hong Kong government, the economy in Hong Kong has shrunk 1.3% in the second quarter of 2022 and the economic performance in the first half of 2022 was worse than expected and the Hong Kong government has revised the real GDP (Gross Domestic Product) growth forecast for 2022 down. This may in turn have an adverse impact on the Target Group's finance business. It is unlikely that the performance of the Target Company will improve in the near future. On the contrary, the business environment in which the Target Group operates may deteriorate.

(ii) Availability of other potential purchasers

The Board had been looking for potential purchasers since June 2021 and the Purchaser was the only willing purchaser for the Sale Shares identified by the Board. The Board considered that the search for potential purchasers for the Sale Shares was not very successful because the Sale Shares did not represent a controlling stake in the Target Company. Since the Purchaser indicated to the Company that it was having difficulty in making deposit payments as originally scheduled, the Board had attempted to look for alternative purchasers. The Board had held discussions with five potential alternative purchasers, including investors from mainland China, Ukraine, Singapore and Korea. However, the offers from these potential purchasers were unattractive, valuing the Sale Shares at or below HK\$150,000,000 and when requested, no potential purchasers were able to provide deposit or earnest monies. In light of the recent general continued weak performance of the Hong Kong stock market, the Board considers that it would not be able to find another serious purchaser for the Sale Shares.



(iii) Market value of the Sale Shares

Prior to the Share Consolidation, the shares of the Target Company had been traded at the lowest possible quoted price of HK\$0.01 per share for a long period of time and the trading volume had been low. The Share Consolidation became effective on 20 July 2022. On 20 July 2022, the trading price of the shares of the Target Company closed at HK\$0.092 per share. For the period from 20 July 2022 to the Latest Practicable Date, the closing prices per share for the shares of the Target Company as quoted on the daily quotation sheet of the Stock Exchange ranged from HK\$0.068 to HK\$0.106. This implied a market value of the Sale Shares in the range of HK\$36,493,628 to HK\$56,887,126.

Under the Agreement, the Company will have received a cash payment of HK\$100,000,000 for the Sale Shares up to Completion Date and such cash payment alone will far exceed the prevailing market value of the Sale Shares. In addition to the cash payment of HK\$100,000,000, the Purchaser will be obliged to redeem the Promissory Notes in the principal amount of HK\$150,000,000, which will be secured by the Shares Charges and guaranteed by Mr. Ong, on the first anniversary of the Completion Date. The Board considered that on a risk-benefit analysis, it is in the best interest of the Company and the Shareholders as a whole to continue to proceed with the Disposal as contemplated under the Agreement.

(iv) Business plan of the Purchaser with respect to the Target Company

The Purchaser has informed the Company that it has plans to identify new business opportunities for the Target Company, with the intention of improving the Target Company's business prospects. The Board considers that the Purchaser has bona fide intent to complete the Disposal. The Revised Terms will facilitate the Purchaser to participate in the management of the Target Company and implement its business plan. This may improve the performance of the Target Company and in turn boost the market price of its shares.

(v) Financial capability of the Purchaser and Purchaser Guarantor

The Board had conducted due diligence on Mr. Ong's financial capability, and had considered Mr. Ong's representations on his source of funds, as well as his credentials, including directorships at a number of Singapore and Hong Kong listed companies. Mr. Ong is a substantial shareholder and an executive director of Net Pacific Financial Holdings Limited, and a substantial shareholder and a non-executive director of Joyas International Holdings Limited, both of which are listed on the Singapore Exchange. He is also an independent non-executive director of Denox Environmental & Technology Holdings Limited (stock code: 1452) and Smart Globe Holdings Limited (stock code: 1481), both of which are listed on the Stock Exchange. The Board had also considered Mr. Ong's good reputation in the Hong Kong business community, which was confirmed by third parties active in the Hong Kong financial market.



Notwithstanding the difficulty in making the cash payment as originally contemplated under the Agreement, Mr. Ong has provided to the Board proof of sufficient funds to satisfy the expected cash payment by the Purchaser at Completion. Furthermore, Mr. Ong has provided evidence to the Board showing that the value of his net personal assets exceeds the face value of the Promissory Notes, and he has confirmed that he has no material liabilities that have not been disclosed to the Board.

In conducting due diligence review on Mr. Ong's financial capability in settlement of the Promissory Notes upon maturity, the Board reviewed the following documents and information:

- (a) the land search results showing the ownership and mortgages of the properties owned by Mr. Ong in Hong Kong;
- (b) desktop valuation showing the value of the properties owned by Mr. Ong of not less than HK\$50 million;
- (c) the relevant statements from Mr. Ong's bank on the mortgages over the relevant properties;
- (d) the proofs of ownership of the equity interests in companies owned by Mr. Ong;
- (e) the audited financial statements of the companies owned by Mr. Ong;
- (f) the latest management accounts of the companies owned by Mr. Ong; and
- (g) public official receiver's search results against Mr. Ong, and his companies (including the Purchaser).

While the principal assets of Mr. Ong mainly consist of illiquid assets, the Board is of the view that, at the same time, such illiquid assets are less volatile and the underlying value attaching to such illiquid assets would be relatively stable, and hence lower risks would be associated with these assets. Furthermore, although such assets may not be readily realised, Mr. Ong may be able to leverage on them to secure finance for repayment of the Promissory Notes.

Taking into account the potential availability to the Purchaser and Mr. Ong of funding in the amount of HK\$150 million, the fact that the size of Mr. Ong's net personal assets exceed the face value of the Promissory Notes, and the value of the assets of the Purchaser (including the Sale Shares to be received by the Purchaser upon Completion), the Board is satisfied with the Purchaser and Mr. Ong's financial capability in settlement of the Promissory Notes upon maturity.

In order to allow the Board to monitor the recoverability of the Promissory Notes following Completion, Mr. Ong has agreed that he would promptly deliver or cause to deliver to the Company such information regarding the financial condition, business and liabilities regarding the Purchaser and himself as the Company may reasonably require.



Mr. Ong has also agreed that he would provide documentary proof at the request of the Company to demonstrate that the Purchaser and/or himself shall have sufficient assets to support and finance the payment of the Promissory Notes upon their maturity, including but not limited to the provision of management accounts of the Purchaser and the relevant entities owned by Mr. Ong, the bank statements of Mr. Ong and the Purchaser, from time to time for so long as the Promissory Notes remain outstanding.

The Company will also conduct independent public searches (including but not limited to litigation, winding-up and bankruptcy searches) against the Purchaser and Mr. Ong as and when appropriate.

(vi) Credit enhancement provided by the Purchaser

Under the Revised Terms, the balance of the Consideration will be satisfied by the Promissory Notes, which will be secured by the Share Charges, and the Promissory Notes and the Share Charges will be guaranteed by Mr. Ong.

The Share Charges comprise (a) a first-ranking share charge over the entire issued share capital of the Purchaser and (b) a first-ranking share charge over 50% of the Sale Shares to be held by the Purchaser.

As stated in the paragraph headed “Business plan of the Purchaser with respect to the Target Company” above, the Purchaser intends to identify new business opportunities for the Target Group, and in order to finance such opportunities, the Purchaser considers that it may need to offer part of its shares in the Target Company as security to financiers. Therefore, the Vendors agreed that only 50% of the Sale Shares would be charged in favour of the Vendors such that the Purchaser may use the remaining 50% of the Sale Shares as security for financing which the Purchaser may arrange. As the Vendors will have the benefit of a first-ranking share charge over the entire issued share capital of the Purchaser, which will hold all the Sale Shares, the Company considered that the arrangement is appropriate which has struck a balance of allowing sufficient flexibility to the Purchaser to arrange its financing and protecting the security interest of the Vendors with respect to the Sale Shares.

Mr. Ong was not a party to the original Agreement, and with the Revised Terms, Mr. Ong agreed to be personally liable for the obligations of the Purchaser under the Promissory Notes under personal guarantee. This shows the sincerity on the part of Mr. Ong to proceed with the Agreement and the commitment of Mr. Ong to honour the obligations under the Promissory Notes.

As the Purchaser is liable to redeem the Promissory Notes upon their maturity and Mr. Ong is a guarantor of the obligations of the Purchaser under the Promissory Notes, it is in the interest of the Purchaser and Mr. Ong that the value of the Sale Shares is preserved. Therefore, in the event that the Target Company conducts any equity fund-raising activities in the future which may result in any dilution of the shareholding held by the Purchaser, Mr. Ong and the Purchaser would be incentivized to preserve the value of the Sale Shares.



(vii) Alternatives to consummating the Disposal

The Board considered that it is in the best interest of the Company and the Shareholders as a whole to continue to proceed with the Disposal as contemplated under the Agreement as upon Completion the Company would receive cash payment of HK\$100,000,000, which would immediately address the Group's needs to repay its outstanding bank loans.

If the Revised Terms had not been agreed, the Purchaser would likely invoke the relevant terms to terminate the Agreement and seek the return of the deposits already paid to the Company in the aggregate amount of HK\$60,000,000, which would impact the Company's cash flows. As at 31 July 2022, excluding pledged time deposits of approximately HK\$40 million, the Group had cash and cash equivalents of approximately HK\$58 million and total borrowings (being the total of bonds, bank and other borrowings and lease liabilities) of HK\$1,963 million. Out of these total borrowings, bank and other borrowings in the amount of approximately HK\$462 million will mature in the 12 months following 31 July 2022. The Board expects that in addition to cash generated from operating activities, the Disposal is another source of funds to meet the demands of working capital in next 12 months.

Should the Disposal fail to complete, the Board intends to address the Group's cash flow needs and working capital requirements by undertaking alternative plans, including by seeking to dispose of the Group's investment properties. However, negotiations with regard to property disposals can be time-consuming and it may be difficult to seek potential buyers in the current real estate market to alleviate the cash flow pressure of the Company in timely manner. Accordingly, there can be no certainty that such property sales would be successful.

Based on the above reasons, the Board considered that the Revised Terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is an investment holding company. The Target Group is principally engaged in the development and sale of properties and money lending business.

The table below sets forth the audited consolidated net loss before and after taxation of the Target Group for the two financial years ended 31 December 2020 and 2021 based on the audited financial information of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December	
	2020	2021
	HK\$ million	HK\$ million
Net loss before tax from continuing operations	(135)	(59)
Net loss after tax (including loss from discontinued operation)	(123)	(60)

The audited net asset value of the Target Group as at 31 December 2021 was HK\$879,000,000.

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INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in: (i) property business; (ii) securities business; (iii) Blackbird Group's multi-faceted automotive business; (iv) investment in collectible precision devices; and (v) cultural entertainment business.

The First Vendor

The First Vendor is an indirect wholly-owned subsidiary of the Company, which is principally engaged in securities business.

The Second Vendor

The Second Vendor is an indirect wholly-owned subsidiary of the Company, which is principally engaged in securities business.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. To the best awareness of the Company, the Purchaser is wholly-owned by Mr. Ong.

Mr. Ong

Mr. Ong an individual residing in Hong Kong. Mr. Ong is an associate member of The Institute of Chartered Accountants in English and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ong has over 30 years of experience in finance and accounting.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and Mr. Ong is a third party independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

The Disposal

At the time of the entering into of the Agreement and the Supplemental Agreement, as one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is 75% or more, the Disposal constituted a very substantial disposal for the Company under Chapter 14 of the Listing Rules and was therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Disposal and the transactions contemplated thereunder were approved by the Shareholders on 17 January 2022 in accordance with the relevant Listing Rules requirements.



The Revised Terms constituted a variation of the terms of the Disposal previously approved by the Shareholders. Therefore, the Company seeks the Shareholders' approval of the Revised Terms.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(A)(I) OF THE LISTING RULES

The Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 14.68(2)(a)(i) of the Listing Rules based on the following grounds:

- (a) The Sale Shares to be disposed of under the Agreement only represented 29.19% of the issued share capital of the Target Company as at the date of the Agreement, and hence the Target Company is not a subsidiary of the Company. As such, the assets, liabilities and financial results of the Target Company are not consolidated into the accounts of the Group. The Company will not hold any shares of the Target Company upon Completion of the Disposal. Accordingly, the aforementioned shareholding falls within Note 2 of the Rule 14.68(2)(a)(i) of the Listing Rules.
- (b) The Company's investment in the Sale Shares has been accounted as financial assets at fair value through profit or loss given the following reasons:
 - (i) as abovementioned, the assets, liabilities and financial results of the Target Company are not consolidated into the accounts of the Company; and
 - (ii) the Sale Shares represent trading stock of a long-established securities trading business of the Company. The Company has always contemplated the eventual sale of the Sale Shares with no intention of holding the Sale Shares for long-term investment. As such, the investment in the Sale Shares has always been accounted for as financial assets at fair value through profit or loss and classified under category of the current assets instead of non-current assets of the Company.
- (c) The Target Company is listed on the Main Board of the Stock Exchange, and publishes its annual reports and interim reports on the websites of the Stock Exchange and the Target Company. The audited consolidated financial statements of the Target Company for each of the years ended 31 December 2019, 2020 and 2021 as disclosed in its respective annual reports and published by the Target Company have been audited by the Target Company's auditors in accordance with the Hong Kong Standards on Auditing.
- (d) For the purpose of the Company's annual report for the years ended 31 December 2020 and 2021 as well as the Company's announcement of interim results for the six months ended 30 June 2022, the Company prepared relevant disclosures regarding the Target Company based on, and by extracting, Target Company's financial information from the Target Company's published results announcements for the corresponding periods.
- (e) The accounting standards and policies adopted by the Company are consistent with those adopted by the Target Company.



- (f) Although the Company may not necessarily expect to face unusual practical difficulties in extracting financial information of the Target Company from its published information for preparation of the financial information required under Rule 14.68(2)(a)(i), the Company expects that to have such financial information reviewed by the Company's auditor may cost professional fees in the range of approximately HK\$800,000 to HK\$1,000,000, and that this work would take at least six weeks of time.
- (g) In addition, the Company has practical difficulty in complying with Rule 14.68(2)(a)(i) for the following reasons:
- (i) the Company does not have access to the financial information of the Target Company other than those disclosed to the public by the Target Company pursuant to the Listing Rules; and
 - (ii) the Company had requested the Target Company to provide underlying financial information for the purpose of conducting the review work by auditors in accordance with Rule 14.68(2)(a)(i), but the Target Company declined. To the Company's understanding, the Target Company's board of directors consider that, in discharging their fiduciary duties to the Target Company, they cannot disclose the Target Company's non-public financial information to the Company, and the Target Company has no obligation to disclose such information.
- (h) As an alternative disclosure, in "Appendix II" of this circular, the Company will include a summary of the financial information of the Target Company which include the (i) consolidated statements of profit or loss; (ii) consolidated statements of comprehensive income; (iii) consolidated statements of financial position; (iv) consolidated statements of changes in equity; and (v) consolidated statements of cash flows of the Target Company for each of the years ended 31 December 2019, 2020 and 2021; and the (i) unaudited condensed consolidated statement of profit or loss; (ii) unaudited condensed consolidated statement of comprehensive income; and (iii) unaudited condensed consolidated statement of financial position of the Target Company for the six months ended 30 June 2022 to be extracted from the announcement of unaudited interim results of the Target Company published on 30 August 2022, together with the links to the full financial statements of the Target Company. The Target Company has not published its statement of changes in equity and statement of cash flows in its announcement of unaudited interim results for the six months ended 30 June 2022. The Board notes that (i) the purpose of this circular is to, among others, provide investors with information on the variation of terms of the Agreement and (ii) save for the variation of terms of the Agreement, the subject matter of the Disposal has remained the same since Shareholders previously approved the Disposal. Based on the above, the Board considers that the summary of the financial information of the Target Company disclosed in such form and manner together with the links to the full financial statements contain sufficient information to enable the Shareholders to make a properly informed assessment in respect of the Disposal.



- (i) Accordingly, the Company considers that having the Company's auditors review the Target Company's financial information in accordance with Rule 14.68(2)(a)(i) of the Listing Rules, in light of the aforementioned circumstances, additional costs and time required, would not be practically possible and would be unduly burdensome, time consuming and costly, and therefore be detrimental to the Company's interests.
- (j) Taking into consideration the aforesaid circumstances and the alternative disclosure as set out in paragraph (h) above, the Company considers that the grant of the waiver of strict compliance with the requirements under Rule 14.68(2)(a)(i) of the Listing Rules in this circular is not likely to mislead investors and/or the Shareholders and there would be no other undue risks to the Shareholders and investors.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Company's investment in the Sale Shares has been accounted as financial assets at fair value through profit or loss. Subject to final audit, it is expected that the Group will record an unaudited loss on the Disposal of approximately HK\$2,000,000, which is calculated by the difference between the book value of the Sale Shares in the accounts of the Company as at 31 December 2021 of approximately HK\$250,000,000 and the consideration for the Disposal of HK\$250,000,000; and less the related transaction costs, taxes and expenses of the Disposal. The actual loss arising from the Disposal at Completion may be different from the abovenamed estimated figures and will be computed based on the actual figures at Completion. As a result of the Disposal, the net asset value of the Remaining Group will be reduced by approximately HK\$2,000,000, representing the estimated loss arising from the Disposal.

The Company intends to apply the net proceeds from the Disposal in the amount of HK\$248,000,000 as follows:

- (i) as to HK\$50,000,000 to repay a bank loan in order to release the encumbrances on 284,671,000 shares in the Target Company pledged to the bank (*Note*);
- (ii) approximately HK\$48,000,000 to be applied for payment of general and administrative expenses and interest expenses;
- (iii) the balance of the net proceeds from the Disposal (upon the settlement of the Promissory Notes) are to be applied as follows:
 - (a) as to HK\$40,000,000 to further repay the bank loan in item (i) above;
 - (b) as to HK\$70,000,000 to repay the loan borrowed by the Company from a subsidiary of the Target Company in June 2021, which will mature on 2 June 2023; and
 - (c) approximately HK\$40,000,000 to be applied in the following 12 months for the development and expansion of the Company's principal businesses including the multifaceted automotive business.

Note: 284,671,000 shares in the Target Company are pledged to a banker of the Group as additional security to secure loans (which are mainly mortgage loans) borrowed from the banker. The maturity dates of the loans range from year 2023 to year 2042.

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中建富通集團有限公司
(於開曼群島註冊成立並於百慕達存續之有限公司)
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On-going transactions or balance between the Group and the Target Group

As at the Latest Practicable Date, there were the following on-going transactions and balance between the Group and the Target Group:

- (i) rental in the amount of HK\$84,000 per month payable by the Target Group to the Group for rental of office space;
- (ii) a loan with outstanding balance of HK\$70,000,000 (the “Loan”) lent by a subsidiary of the Target Company to the Company in June 2021, which carries interest at 7% per annum payable quarterly; and
- (iii) an amount of HK\$1,225,000 payable quarterly by the Company to the subsidiary of the Target Company, representing quarterly interest payable on the Loan.

The transactions in item (i) above will be terminated within three months after Completion. It is considered that three months would be a reasonable and adequate time for the Target Company to move to another location instead of renting office space from the Group.

The Company intends to repay the Loan in item (ii) above using the balance of the net proceeds of the Disposal (upon the settlement of the Promissory Notes). The Company expects to request an extension of the maturity date of the Loan (2 June 2023) to a date on or after the settlement date of the Promissory Notes.

Interest in item (iii) above will cease to be payable after full repayment of the Loan and all accrued interest.

SGM AND PROXY ARRANGEMENT

A notice convening the SGM is set out on pages VI-1 to VI-2 in “Appendix VI” to this circular. At the SGM, an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, to approve the Disposal and other transactions contemplated under the Agreement.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal. Hence, no Shareholder is required to abstain from voting on the resolution(s) in relation to the Disposal and any other transactions contemplated under the Agreement (as amended and supplemented by the Supplemental Agreements) in relation to the Disposal at the SGM.

In accordance with the requirement under Rule 13.39(4) of the Listing Rules, the votes for all resolutions by the Shareholders at the SGM must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the SGM will therefore demand a poll on each of the resolutions put forward at the SGM pursuant to Bye-law 66 of the Bye-laws. The poll results of the SGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.cct-fortis.com/eng/investor/announcements.php) after the SGM.

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A form of proxy for use by the Shareholders at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM (i.e. not later than 10:00 a.m on Saturday, 1 October 2022). Such form of proxy for use at the SGM is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cct-fortis.com/eng/investor/announcements.php). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATION

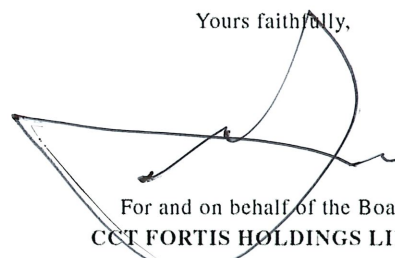
On the basis of the information set out in this circular, the Directors (including the independent non-executive Directors) are of the view that the Disposal (as varied by the Revised Terms) is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend all Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Disposal (as varied by the Revised Terms) and any other transactions contemplated under the Agreement (as amended and supplemented by the Supplemental Agreement) in relation to the Disposal.

OTHER INFORMATION

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

Yours faithfully,


For and on behalf of the Board of
CCT FORTIS HOLDINGS LIMITED
Mak Shiu Tong, Clement
Chairman