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If you have sold or transferred all your shares in **Top Spring International Holdings Limited**, you should hand this circular together with the accompanying proxy form at once to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03688)

CONNECTED TRANSACTION VARIATIONS OF TERMS TO THE SECURED FACILITY AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
And the Independent Shareholders**



Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 7 to 19 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from VBG Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 37 of this circular.

A notice convening the EGM to be held at Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 November 2022 at 10 a.m. or any adjournment of such meeting is set out on pages 45 to 47 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for the precautionary measures to be implemented to try to prevent and control the spread of the Novel Coronavirus at the EGM, which include:

- **compulsory temperature check and completion and signing of a health declaration (which may also be used for the purposes of contact tracing if required)**
- **prohibit attendance at the EGM if the attendee has a fever. Persons exhibiting flu-like symptoms may also be refused admittance**
- **attendance in person at the EGM venue will be limited in accordance with the prevailing requirements or guidelines published by the Hong Kong Government and/or regulatory authorities at the time of the EGM**
- **no refreshments will be served at the EGM**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company encourages attendees who feel unwell (even without flu-like symptoms) to wear surgical masks and reminds the Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the resolution at the EGM as an alternative to attending the EGM in person.

1 November 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the evolving 2019 Novel Coronavirus (“COVID-19”) situation, the Company reserves the right to implement the following precautionary measures as may be appropriate at the EGM:

- All attendees will be required to undergo a temperature check and complete and sign a health declaration (which may also be used for the purposes of contact tracing if required) before entering the EGM venue
- Any person who has a fever will not be permitted to attend the EGM. Persons exhibiting flu-like symptoms may also be refused admittance at the Company’s discretion
- The Company will limit the attendance in person at the EGM venue in accordance with the prevailing requirements or guidelines published by the Hong Kong Government and/or regulatory authorities at the time of the EGM
- No refreshments will be served at the EGM

The Shareholders who are feeling unwell or have been placed on leave of absence on the date of the EGM are advised not to attend the EGM. Attendees who feel unwell (even without flu-like symptoms) are encouraged to wear surgical masks.

The Shareholders who prefer not to attend or are restricted from attending the EGM may still vote by proxy and are advised to take note of the latest date and time for the lodgement of the proxy form.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to the Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

The EGM will commence sharply at 10 a.m., and the Shareholders are encouraged to arrive at the EGM venue at least half an hour prior to the meeting commencement time to avoid delays from precautionary measures mentioned above in the registration process.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of the bonus Shares to the Shareholders whose names appeared on the register of members of the Company on 24 May 2013, on the basis of two new Shares for every five Shares held, with an option to elect to receive the PCSs in lieu of all or part of their entitlements to such bonus Shares
“Borrower”	Top Spring International (BVI) Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“BVI”	the British Virgin Islands
“Company”	Top Spring International Holdings Limited (萊蒙國際集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code 3688
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of, if thought fit, approving the Second Supplemental Agreement and the transactions as contemplated thereunder
“Facility Agent”	Metro-LKT, as facility agent under the Secured Facility Agreement
“Final Repayment Date”	the date which is 48 months from the Utilisation Date as such date may be extended in accordance with the terms of the Secured Facility Agreement
“Finance Documents”	the Secured Facility Agreement, any Security Document, the utilisation request, and any other document designated as a “Finance Document” by the Facility Agent and the Borrower

DEFINITIONS

“Finance Parties”	the Facility Agent, the Security Agent and the Lenders with Lee Kim Tah ceasing to be a Finance Party upon the Effective Date
“Firewave”	Firewave Management Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of Metro
“First Supplemental Agreement”	the supplemental agreement dated 23 November 2020 to the Secured Facility Agreement
“Forex Make-whole Amount”	<p>an amount to be calculated in accordance with the following formula:</p> <p>A x (B – C), where</p> <p>A = the principal amount of the portion of the Loan advanced by Lee Kim Tah</p> <p>B = the US\$ to SG\$ exchange rate that Lee Kim Tah used to purchase US\$ in the Singaporean markets for the purpose of making such portion of the Loan available to the Borrower</p> <p>C = the US\$ to SG\$ exchange rate quoted by Lee Kim Tah from whatever source that it may reasonably select for the day on which A is repaid by the Borrower to Lee Kim Tah</p>
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huge Source”	Huge Source Limited (展材有限公司), a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in investment holding

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr CHENG Yuk Wo, Professor WU Si Zong and Mr CHAN Yee Herman formed to advise the Independent Shareholders in relation to the fairness and reasonableness of the transactions contemplated under the Second Supplemental Agreement
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM in respect of the Second Supplemental Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	28 October 2022, being the latest practicable date for ascertaining certain information contained in this circular
“Lee Kim Tah”	Lee Kim Tah Holdings Limited, a company incorporated in Singapore with limited liability
“Lenders”	Metro Property and Lee Kim Tah
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LKT Group”	Lee Kim Tah and its subsidiaries
“LKT Loan”	the aggregate of (i) the sum of the principal amount of the portion of the Loan advanced by Lee Kim Tah to the Borrower and accrued and unpaid interest thereon, in the amount of US\$26,375,000 and (ii) (where relevant) any Forex Make-whole Amount
“Loan”	the loan made by the Lenders to the Borrower in the amount of US\$120,000,000 under the Secured Facility Agreement

DEFINITIONS

“Material Property”	collectively, (i) the property located at Nos. 25 and 33, 1688 Guoquan North Road, Shanghai, the PRC; (ii) the property located at Nos. 78 and 79, 1688 Guoquan North Road, Shanghai, the PRC; and (iii) the property located at No. 36, 1688 Guoquan North Road, Shanghai, the PRC, all owned by Huge Source, Progress Link and Shine Long, and their respective subsidiaries
“Metro”	Metro Holdings Limited, a company incorporated in Singapore, the shares of which are listed on the Main Board of the Singapore Exchange Securities Trading Limited (Stock Code: M01.SI)
“Metro-LKT”	Metro-LKT (BVI) Limited, a company incorporated under the laws of the BVI with limited liability and a non wholly-owned subsidiary of Metro
“Metro Group”	Metro and its subsidiaries
“Metro Loan”	the portion of the Loan advanced by Metro Property to the Borrower pursuant to the Secured Facility Agreement
“Metro Property”	Metro Property (BVI) Limited, a company incorporated under the laws of the BVI with limited liability and a wholly-owned subsidiary of Metro
“Mr YIP”	Mr YIP Hoong Mun, a non-executive Director
“PCSs”	the bonus perpetual subordinated convertible securities issued by the Company pursuant to the Bonus Issue
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular and the Finance Documents, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Progress Link”	Progress Link Limited (展系有限公司), a company incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding
“Remaining Parties”	the parties to the Secured Facility Agreement other than Lee Kim Tah

DEFINITIONS

“Second Supplemental Agreement”	the second supplemental agreement dated 11 October 2022 entered into among the Borrower, the Company, the Lenders, the Facility Agent and the Security Agent to amend certain terms of the Secured Facility Agreement
“Secured Facility Agreement”	the secured facility agreement dated 26 October 2018 entered into among the Borrower, the Company, the Lenders, the Facility Agent and the Security Agent, details of which were disclosed in the announcement and the circular of the Company dated 26 October 2018 and 1 November 2018 respectively, and as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement
“Security Agent”	Metro-LKT, as security agent under the Secured Facility Agreement
“Security Documents”	the Share Charges, the Shareholder’s Loans Assignment and any other document evidencing or creating security over any asset to secure all or any part of the secured liabilities under the Finance Documents and “Security Document” means any one of them
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Charges”	the three deeds of share charge executed by the Borrower on 26 October 2018 in respect of 70% of the issued capital (or issued shares, as applicable) in each of Huge Source, Progress Link and Shine Long in favour of the Security Agent
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loans Assignment”	the deed of shareholder’s loans assignment executed by the Borrower as assignor on 26 October 2018 in favour of the Security Agent as assignee
“Shine Long”	Shine Long Limited (耀隆有限公司), a company incorporated under the laws of the BVI and is principally engaged in investment holding

DEFINITIONS

“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Utilisation Date”	the date on which the Loan was made by the Lenders to the Borrower, i.e. 27 November 2018
“Variations of Terms”	the proposed variations of terms to the Secured Facility Agreement pursuant to the Second Supplemental Agreement as set out in the section headed “The Second Supplemental Agreement” in this announcement
“%”	per cent

LETTER FROM THE BOARD



TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03688)

Executive Directors:

Mr WONG Chun Hong
Ms LAM Mei Ka, Shirley
Mr WONG Sze Yuen

Non-executive Directors:

Mr YIP Hoong Mun
Mr KUI Qiang

Independent non-executive Directors:

Mr CHENG Yuk Wo
Professor WU Si Zong
Mr CHAN Yee Herman

Registered office:

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business in Hong Kong:*

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Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

1 November 2022

To the Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTION
VARIATIONS OF TERMS TO THE SECURED FACILITY AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 October 2022 in relation to the Second Supplemental Agreement. The purpose of this circular is to provide you with, among other things, (i) details of the Second Supplemental Agreement; (ii) a letter of recommendation from the Independent Board Committee in relation to the Second Supplemental Agreement and the transactions contemplated thereunder; (iii) a letter of advice from VBG Capital in relation to the Second Supplemental Agreement and the transactions contemplated thereunder; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

The notice of the EGM is enclosed herein as part of this circular.

LETTER FROM THE BOARD

BACKGROUND

References are made to the announcement of the Company dated 26 October 2018 and the circular of the Company dated 1 November 2018 in relation to the Secured Facility Agreement dated 26 October 2018 whereby, among other things, the Lenders, namely, Metro Property and Lee Kim Tah, agreed to provide the Borrower (a wholly-owned subsidiary of the Company) with the Loan in an aggregate sum of US\$120,000,000 for 24 months from the Utilisation Date with an option of 12-month extension at the Borrower's request subject to additional terms and conditions specified in the Secured Facility Agreement. The Loan was drawn on 27 November 2018.

References are also made to the announcement of the Company dated 23 November 2020 and the circular of the Company dated 9 December 2020 in relation to the First Supplemental Agreement dated 23 November 2020 whereby the term of the Loan was extended for two years and the interest rate of the Loan for the extended term was lowered.

As security for the Loan, (a) the Company provided a corporate guarantee to the Finance Parties to irrevocably and unconditionally guarantee, among other things, the punctual performance by the Borrower of all its obligations under the Finance Documents as if it was the principal obligor; (b) the Borrower executed three Share Charges on 26 October 2018 in respect of 70% of the issued share capital (or issued shares, as applicable) in each of Huge Source, Progress Link and Shine Long in favour of the Security Agent as security of the payment obligations of the Borrower and the Company (as guarantor) under the Finance Documents; and (c) the Borrower executed the Shareholder's Loans Assignment on 26 October 2018 in favour of the Security Agent to assign the rights, title, interests and other benefits of certain shareholder's loans provided by the Borrower to Huge Source, Progress Link and Shine Long as security of the payment obligations of the Borrower and the Company (as guarantor) under the Finance Documents.

As disclosed in the announcement dated 27 September 2017 and the circular dated 28 November 2017 of the Company, among other things, the Borrower and Firewave entered into the shareholders' agreements for the operation of each of Huge Source, Progress Link and Shine Long to engage in the investment and operation of the Material Property. As at the Latest Practicable Date, each of Huge Source, Progress Link and Shine Long is a joint venture between the Group and Metro held by the Borrower and Firewave as to 70% and 30%, respectively.

Save for (i) the identity of each subject company the shares of which are charged; and (ii) Huge Source is a limited liability company incorporated in Hong Kong while each of Progress Link and Shine Long is a limited liability company incorporated in the BVI, all salient terms of each of the Share Charges are substantially similar which are set out as follows:

Date: 26 October 2018

Parties: (1) the Borrower, as chargor; and
(2) the Security Agent, as chargee.

LETTER FROM THE BOARD

Subject: Pursuant to each of the Share Charges, the Borrower shall charge 70% of the issued share capital or issued shares (as applicable) of each of Huge Source, Progress Link and Shine Long in favour of the Security Agent as security for due performance of its payment obligations under the Secured Facility Agreement. The security can be enforced if the Borrower or the Company (as guarantor) commits a non-performance of its obligations under the Finance Documents. The Share Charges will be released upon full repayment of all outstanding amounts payable under the Finance Documents.

Salient terms of the Shareholder's Loans Assignment are set out as follows:

Date: 26 October 2018

Parties: (1) the Borrower, as assignor; and
(2) the Security Agent, as assignee

Subject: Pursuant to the Shareholder's Loans Assignment, the Borrower (as legal and beneficial owner) shall assign to the Security Agent (as security agent and trustee for the Finance Parties) all the Borrower's right, title, interest and benefit in and to the Assigned Indebtedness (as defined below) owing to it and all and any monies or other property which it may receive on account of the Assigned Indebtedness or any part thereof, where "Assigned Indebtedness" means all present and future indebtedness of each of Huge Source, Progress Link and Shine Long owing or will be owing and/or payable or will be payable to the Borrower on account of any loan, advance or other payment made to or for the account of Huge Source, Progress Link and Shine Long, including in particular any shareholder's loan which the Borrower (as shareholder of each of Huge Source, Progress Link and Shine Long) may have advanced or may advance to each of Huge Source, Progress Link and Shine Long from time to time. As at the Latest Practicable Date, the Assigned Indebtedness amounted to approximately HK\$1,363,308,710, comprising shareholder's loans granted by the Borrower to each of Huge Source, Progress Link and Shine Long in the amounts of approximately HK\$521,782,699, HK\$574,939,684 and HK\$266,586,327, respectively.

THE SECOND SUPPLEMENTAL AGREEMENT

On 11 October 2022, the Lenders, the Borrower, Metro-LKT (as the Security Agent and the Facility Agent) and the Company as the guarantor entered into the Second Supplemental Agreement, pursuant to which, the parties agreed on the Variations of Terms to the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement).

LETTER FROM THE BOARD

The principal terms of the Second Supplemental Agreement are summarised as follows:

Date: 11 October 2022

Parties:

- (1) the Lenders, including Metro Property which will continue acting as a lender while Lee Kim Tah will cease to be a lender;
- (2) the Borrower, as borrower;
- (3) the Company, as guarantor;
- (4) the Facility Agent, as facility agent; and
- (5) the Security Agent, as security agent.

Subject matter: Pursuant to the Second Supplemental Agreement, the parties have conditionally agreed on the Variations of Terms. The table below sets out the comparison between the original terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement) and the Variations of Terms as contemplated under the Second Supplemental Agreement:

	Original terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement)	Variations of Terms as contemplated under the Second Supplemental Agreement
“Lenders”	Metro Property and Lee Kim Tah	<u>Metro Property</u> Lee Kim Tah will cease to be a Lender and a party to the Secured Facility Agreement.

LETTER FROM THE BOARD

	Original terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement)	Variations of Terms as contemplated under the Second Supplemental Agreement
“Term”	24 months from the Utilisation Date, with an option of 24-month extension at the Borrower’s request subject to additional terms and conditions set out in the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement).	48 months from the Utilisation Date, with a 24 -month extension at the Borrower’s request subject to additional terms and conditions set out in the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement).
“Repayment”	The Borrower must repay the entire outstanding Loan and all accrued and unpaid interest and all other sums payable under the Finance Documents on the Final Repayment Date (that is, 24 months from the Utilisation Date) or the extended Final Repayment Date (that is, 48 months from the Utilisation Date).	The Borrower must repay the entire outstanding Loan and all accrued and unpaid interest and all other sums payable under the Finance Documents on the Final Repayment Date (that is, 48 months from the Utilisation Date) or the extended Final Repayment Date (that is, 72 months from the Utilisation Date).

Save for the above changes, all the terms of the Secured Facility Agreement shall remain unchanged.

LETTER FROM THE BOARD

Conditions precedent:

The Variations of Terms are conditional upon (i) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve, confirm and ratify the Second Supplemental Agreement and the transactions as contemplated thereunder (if required) and (ii) the full repayment of the LKT Loan (the “**Conditions Precedent**”), and shall become effective upon the later of (x) the date of the EGM and (y) the date on which the LKT Loan is repaid in full (the “**Effective Date**”). As at the Latest Practicable Date, none of the Conditions Precedent has been satisfied.

If the Conditions Precedent are not satisfied on or before 31 December 2022 (or such later date as the parties may agree), the Second Supplemental Agreement shall cease and terminate but the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement) shall remain as valid and effective as if the Second Supplemental Agreement had not been entered into.

Confirmation – Security and guarantee:

The obligations owed by the Borrower and the Company (as guarantor) under the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) towards Lee Kim Tah shall be fully released, satisfied, terminated, discharged or waived on and after the Effective Date.

Subject to the aforesaid, without prejudice to the rights of any Finance Party which have arisen on or before the Effective Date, each of the Borrower and the Company confirms that, on and after the Effective Date:

- (a) the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) and the other Finance Documents will remain in full force and effect amongst the Remaining Parties;
- (b) each Security Document will remain in full force and effect amongst the Remaining Parties and will continue to secure all liabilities which are expressed to be secured by it (including, without limitation, the liabilities of the Borrower and the Company under the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement)); and

LETTER FROM THE BOARD

- (c) the guarantee, undertaking and indemnity under the Secured Facility Agreement will remain in full force and effect amongst the Remaining Parties and will extend to the Borrower's obligations under the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement).

INFORMATION OF THE PARTIES TO THE SECOND SUPPLEMENTAL AGREEMENT

The Company and the Borrower

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares have been listed on the Main Board of the Stock Exchange. The Group is a real estate property developer in the PRC and is principally engaged in real estate investment, property development and property management in the PRC and Hong Kong. Besides, the Group is actively exploring the "real estate plus" business opportunities such as education in Hong Kong and the PRC which will be an integral part of its principal business in the future.

The Borrower is a company incorporated in the BVI and its principal business activity is investment holding. It is a wholly-owned subsidiary of the Company.

The Lenders

The Lenders are Metro Property and Lee Kim Tah. Upon the Effective Date, Lee Kim Tah will cease to be a Lender while Metro Property will remain as the only Lender.

Metro Property is a company incorporated in the BVI with limited liability and its principal business activity is property holding and investment management. It is a wholly-owned subsidiary of Metro. Metro Group operates two core business segments – property investment and development, and retail – and is focused on key markets in the region such as Singapore, the PRC, Indonesia, the United Kingdom and Australia. Metro's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited. As at the Latest Practicable Date, Metro's ultimate controlling shareholders (as defined under the Listing Rules) are Mr. Ong Jenn and Mr. Ong Sek Hian, and their aggregate direct and deemed interest in Metro is approximately 35.398%.

Lee Kim Tah is a company incorporated in Singapore with limited liability and its principal business activity is investment holding. LKT Group principally engages in property business and operates in four segments: construction, property investments, property development and management, and hotel operations. As at the date hereof, Lee Kim Tah is beneficially owned by Mr. Lee Soon Teck (22.06%), Ms. Lee Siew Lian (22.10%), Estate of Lee Yong Chuan Edwin (17.65%), Mr. Kevin Lee (14.81%), Mr. Steven Lee (14.81%), Mr. Joseph Lee Soon Heng (4.88%), Madam Tay Ngiat Fah, Mrs. Lois Lee (2.20%), Mr. Lee Sian Ghee (1.01%) and Ms. Lee Mei Yin Jean (0.48%). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Lee Kim Tah and its ultimate beneficial owners are third parties independent from and not connected with the Company and its connected persons.

LETTER FROM THE BOARD

The Facility Agent and Security Agent

Metro-LKT is owned as to approximately 79.2% and 20.8% by Metro and Lee Kim Tah, respectively, and a company incorporated in the BVI with limited liability and is principally engaged in property holding and investment management.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

The Variations of Terms as contemplated under the Second Supplemental Agreement will extend the term loan facility made available under the Secured Facility Agreement with no change to the interest rate, and are therefore to the advantage of the Company.

The Group specialises in the development and operation of urban mixed-use communities and the development and sale of residential properties in the Greater Bay Area, the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC. As at 30 June 2022, the Group had a total of 22 projects over 11 cities in various stages of development, including completed projects, projects under development, projects held for future development and projects contracted to be acquired or under application for change in land use. As at 30 June 2022, the total capital commitments outstanding but not provided for of the Group, which were mainly related to development expenditure for the Group's properties under development and acquisition cost of the Group's projects, amounted to approximately HK\$2,089.2 million.

Taking into account the current business development plan of the Group which is of massive scale, together with the fact that, amongst others, the Group had total short-term and long-term bank loans and other borrowings of approximately HK\$9,459.3 million as at 30 June 2022, out of which approximately HK\$4,743.9 million (including the Loan) are repayable within one year, the Board is of the view that the Group has substantial capital requirements and financing needs on an ongoing basis.

According to the interim report of the Company for the six months ended 30 June 2022, as at 30 June 2022, the Group had unpledged cash and cash equivalents of approximately HK\$959.1 million, out of which the available cash in Hong Kong was limited. In view of its existing financial resources and liquidity position, the Group has an imminent need to obtain additional funds of sizeable amount to fulfil its capital requirements and has considered both debt financing and equity financing to raise funds. Nevertheless, in light of the continuance of the COVID-19 pandemic, equity financing that requires underwriting (in the case of rights issue and open offer) is rather impracticable at present and will incur high underwriting commission and may not be beneficial to the Company and the Shareholders as a whole. For placings, it would be difficult to locate investors for share placements due to the recent market sentiment. For this reason, the Company has chosen to use various means of debt financing, such as bank loans and other borrowings to fund its capital requirements, and considers the entering into of the Second Supplemental Agreement to extend the term of the Loan to be advantageous to the Company.

LETTER FROM THE BOARD

Although the Group's bank loans as at 30 June 2022 carried interest ranging from approximately 0.7% to 7.4% per annum, those bank loans mainly consist of project loans with land, buildings and investment properties of the Group as security and interest rates of bank loans are generally lower than the interest rates of borrowings provided by other financial institutions. As disclosed in the interim report of the Company for the six months ended 30 June 2022, a majority of the Group's properties and other assets were pledged to financial institutions for obtaining debt financing. In particular, over two-thirds of the Group's total cash and bank deposits were restricted and pledged; and approximately HK\$6,653.1 million out of approximately HK\$8,629.6 million in respect of the Group's investment properties and approximately HK\$5,578.4 million out of approximately HK\$7,488.5 million in respect of the Group's inventories were pledged to secure bank loans and other borrowings, representing approximately 77.1% of the Group's investment properties and approximately 74.5% of Group's inventories as at 30 June 2022.

Taking into account (i) the minimal net profit recorded by the Group during the first half of 2022; and (ii) that the Group has already used up most of its properties and other assets as pledges for its existing bank loans and other borrowings, the Board is of the view that it would be rather difficult for the Group to obtain further borrowings in the amount comparable to the Loan at low interest costs without lengthy negotiations. For this reason, a closer reference would be the corporate bonds of US\$32.5 million with a term of 364 days which were issued by the Company to a third party in September 2021 at annual interest rate of 9%. Given that the principal amount of the Loan triples that of the said corporate bonds which had a shorter term, it is justifiable for the interest rate of the Loan (11%) to be slightly higher than the interest rate of the corporate bonds. The Board would like to add that the interest rate of the Loan was originally 13% per annum under the Secured Facility Agreement which was then lowered to 11% for the renewed term pursuant to the First Supplemental Agreement. The parties to the Second Supplemental Agreement agreed not to change the interest rate for the further renewed term after arm's length negotiations. Considering that the global lending interest rates have been going up, the Board is of the view that it is to the commercial benefit of the Company that no change is made to the interest rate of the Loan for the further renewed term.

Having considered and taking into account (i) the disadvantages of the Variations of Terms, being the additional interest cost for the Loan to be incurred and the increase in average interest rate of the Group's borrowings; (ii) that the Group has ongoing substantial financing needs for future business development and debt repayment; and (iii) the fact that equity financing is rather impracticable for the Group at present, the Board (other than the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser and Mr YIP who abstained from voting as disclosed herein) considers that the terms of the Second Supplemental Agreement are on normal commercial terms after arm's length negotiations among the parties, fair and reasonable and the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Each of Metro Property and Metro-LKT is a subsidiary of Metro which is a substantial Shareholder, and is therefore an associate of Metro and a connected person of the Company under the Listing Rules. At the time of the entering into of each of the Secured Facility Agreement and the First Supplemental Agreement, as one or more of the applicable percentage ratios in relation to the Metro Loan exceed(s) 5%, the entering into of each of the Secured Facility Agreement and the First Supplemental Agreement constituted a connected transaction of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and subsequently were approved by the then independent Shareholders at the extraordinary general meetings of the Company held on 16 November 2018 and 29 December 2020 in accordance with the relevant Listing Rules requirements.

The Variations of Terms contemplated under the Second Supplemental Agreement will constitute material variation to the terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement). According to the note to Rule 14A.35 of the Listing Rules, the Company is required to announce this fact and re-comply with all other applicable provisions under the Listing Rules. In this regard, the Company will have to comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for the Second Supplemental Agreement.

As at the Latest Practicable Date, Mr YIP, a non-executive Director, is the Group Chief Executive Officer of Metro. In view of the interests of Mr YIP in the Metro Loan, the Secured Facility Agreement and thus the Second Supplemental Agreement and the transactions as contemplated thereunder, Mr YIP abstained from voting on the relevant Board resolutions. Mr YIP does not hold any Shares as at the Latest Practicable Date. Save as disclosed above, none of the Directors has any material interest in the Second Supplemental Agreement and the transactions as contemplated thereunder and was required to abstain from voting on the relevant Board resolutions.

As at the Latest Practicable Date, Metro held 228,390,110 Shares, representing approximately 16.17% of the issued share capital of the Company. Metro, being a substantial Shareholder interested in the transactions contemplated under the Second Supplemental Agreement, and its associates will abstain from voting at the EGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, save as Metro and its associates, no Shareholder (or its associates) has any material interest in the transactions contemplated under the Second Supplemental Agreement.

EGM

A notice convening the EGM to be held at Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 November 2022 at 10 a.m. or any adjournment of such meeting is set out on pages 45 to 47 of this circular. The ordinary resolution will be proposed at the EGM to consider and, if thought fit, to approve, the Second Supplemental Agreement and the transactions contemplated thereunder. A proxy form for use at

LETTER FROM THE BOARD

the EGM is accompanied with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

The votes of the Independent Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. Metro and its associates, and any Shareholders who are materially interested in the Second Supplemental Agreement, are required to abstain from voting for the ordinary resolution at the EGM for approving the Second Supplemental Agreement and the transactions contemplated thereunder. To the best knowledge of the Directors after making all reasonable enquiries, as at the Latest Practicable Date, Metro and its associates held an aggregate of 228,390,110 Shares, representing approximately 16.17% of the entire issued share capital of the Company as at the Latest Practicable Date. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr CHENG Yuk Wo, Professor WU Si Zong and Mr CHAN Yee Herman, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Second Supplemental Agreement and as to how to vote at the EGM.

VBG Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having considered the advice and recommendation of VBG Capital, consider that the Second Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. The Second Supplemental Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the Independent Board Committee accordingly recommends the Independent

LETTER FROM THE BOARD

Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the Second Supplemental Agreement and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on pages 20 to 21 of this circular, the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 22 to 37 of this circular.

CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF HOLDERS OF THE PCSs

For the purposes of determining Shareholders' eligibility to attend and vote at the EGM, the register of members and the register of holders of the PCSs of the Company will be closed from Friday, 11 November 2022 to Wednesday, 16 November 2022, both days inclusive, during which period no transfer of Shares and PCSs will be registered. The record date for such purposes is Wednesday, 16 November 2022.

In order to be eligible to attend and vote at the EGM:

- (a) in the case of the Shares, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 10 November 2022; and
- (b) in the case of the PCSs, the notice of conversion in prescribed form, together with the relevant certificate of the PCS(s) and confirmation that any amounts required to be paid by the holder of the PCS(s) have been so paid, must be duly completed, executed and deposited with the Company at Room 04-08, 26th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 3 November 2022.

RECOMMENDATION

The Directors (including the Independent Board Committee after considering the advice of VBG Capital) consider that the terms of the Second Supplemental Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, fair and reasonable and on normal commercial terms, and in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Second Supplemental Agreement and the transactions contemplated thereunder. Your attention is drawn to:

- (a) this letter from the Board;
- (b) a letter of recommendation from the Independent Board Committee which is set out on pages 20 to 21 of this circular; and

LETTER FROM THE BOARD

- (c) a letter from VBG Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders which is set out on pages 22 to 37 of this circular.

ADDITIONAL INFORMATION

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

By order of the Board
Top Spring International Holdings Limited
WONG Chun Hong
Chairman



TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03688)

1 November 2022

To the Independent Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTION
VARIATIONS OF TERMS TO THE SECURED FACILITY AGREEMENT**

We refer to the circular of the Company dated 1 November 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether, in our opinion, the Second Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 22 to 37 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 19 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Secured Facility Agreement, the Second Supplemental Agreement and the principal factors and reasons considered by, and the advice and recommendation of the Independent Financial Adviser, we concur with its views and consider that the terms of the Second Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, and that the Second Supplemental Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Second Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of

Top Spring International Holdings Limited

CHENG Yuk Wo

Independent

non-executive

Director

WU Si Zong

Independent

non-executive

Director

CHAN Yee Herman

Independent

non-executive

Director

LETTER FROM VBG CAPITAL

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



21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

1 November 2022

*To: The independent board committee and the independent shareholders
of Top Spring International Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION VARIATIONS OF TERMS TO THE SECURED FACILITY AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Supplemental Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 1 November 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

References are made to the announcement of the Company dated 26 October 2018 and its circular dated 1 November 2018 in relation to the entering into of the Secured Facility Agreement dated 26 October 2018, pursuant to which the Lenders agreed to provide the Borrower (a wholly-owned subsidiary of the Company) with the Loan in an aggregate sum of US\$120 million for 24 months from the Utilisation Date with an option of 12-month extension at the Borrower's request. The Loan was drawn on 27 November 2018.

As security for the Loan, (a) the Company provided a corporate guarantee to the Finance Parties to irrevocably and unconditionally guarantee, among other things, the punctual performance by the Borrower of all its obligations under the Finance Documents as if it was the principal obligor; (b) the Borrower executed three Share Charges on 26 October 2018; and (c) the Borrower executed the Shareholder's Loans Assignment on 26 October 2018.

References are also made to the announcement of the Company dated 23 November 2020 and its circular dated 9 December 2020 in relation to the entering into of the First Supplemental

LETTER FROM VBG CAPITAL

Agreement, pursuant to which the term of the Loan was extended for two years and the interest rate of the Loan for the extended term was lowered from 15% to 11%.

On 11 October 2022, the Lenders, the Borrower, Metro-LKT (as the Security Agent and the Facility Agent) and the Company as the guarantor entered into the Second Supplemental Agreement, pursuant to which the parties agreed on the Variations of Terms to the Secured Facility Agreement.

As extracted from the Letter from the Board, the entering into of each of the Secured Facility Agreement and the First Supplemental Agreement constituted a connected transaction for the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and subsequently were approved by the then independent Shareholders at the extraordinary general meetings of the Company held on 16 November 2018 and 29 December 2020, respectively, in accordance with the relevant Listing Rules' requirements. The Variations of Terms contemplated under the Second Supplemental Agreement will constitute material variation to the terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement). According to the note to Rule 14A.35 of the Listing Rules, the Company is required to announce this fact and re-comply with all other applicable provisions under the Listing Rules. In this regard, the Company will have to comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for the Second Supplemental Agreement.

The Independent Board Committee comprising Mr. Cheng Yuk Wo, Professor Wu Si Zong and Mr. Chan Yee Herman (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Second Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Second Supplemental Agreement at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to the First Supplemental Agreement of which a circular dated 9 December 2020 was issued and the existing engagement, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Second Supplemental Agreement.

LETTER FROM VBG CAPITAL

BASIS OF OUR OPINION

In formulating our opinion with regard to the Second Supplemental Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Lenders, Metro Group, LKT Group, Mr. Yip or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Second Supplemental Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

LETTER FROM VBG CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Second Supplemental Agreement

Business review of the Group

The Group is a real estate property developer in the PRC and is principally engaged in real estate investment, property development and property management in the PRC and Hong Kong.

Set out below is the consolidated financial information of the Group for the six months ended 30 June 2022 and the two years ended 31 December 2021 as extracted from the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”) and its annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”), respectively:

	For the six months ended 30 June 2022	For the year ended 31 December 2021	For the year ended 31 December 2020
	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,883,680	638,957	575,051
Profit/(Loss) for the period/ year	4,192	46,714	(367,536)

As depicted by the above table, the Group’s revenue for the year ended 31 December 2021 increased by approximately 11.1% to approximately HK\$639.0 million from approximately HK\$575.1 million for the year ended 31 December 2020. We noted from the 2021 Annual Report that such increase was primarily due to the increase in the Group’s income from rental income, property management and related service income. Contributed by the substantial increase in sales of properties, the Group’s revenue further increased to approximately HK\$2,883.7 million during the first half of 2022. As regards profitability, the Group was successful in reviving from loss and recorded net profit of approximately HK\$46.7 million for the year ended 31 December 2021. During the first half of 2022, a minimal net profit of approximately HK\$4.2 million was also recorded.

As advised by the Directors, the Group specialises in the development and operation of urban mixed-use communities and the development and sale of residential properties in the Greater Bay Area (including Hong Kong, Shenzhen and Dongguan), the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC. As at 30 June 2022, the Group had a total of 22 projects over 11 cities in various

LETTER FROM VBG CAPITAL

stages of development, including an estimated net saleable/leasable gross floor area (GFA) of completed projects of approximately 356,208 square meters (sq.m.), an estimated net saleable/leasable GFA of projects under development of approximately 90,849 sq.m., an estimated net saleable/leasable GFA of projects held for future development of approximately 30,494 sq.m., and an estimated net saleable/leasable GFA of projects contracted to be acquired or under application for change in land use of approximately 6,497 sq.m. As at 30 June 2022, the total capital commitments outstanding but not provided for of the Group, which were mainly related to development expenditure for the Group's properties under development and acquisition cost of the Group's projects, amounted to approximately HK\$2,089.2 million.

As further advised by the Directors, the Group intends to continue leveraging its experience in identifying land parcels in and/or outside the PRC with investment potential at advantageous times and acquiring land reserves which are or will be well connected with transportation and infrastructure developments. Moreover, the Group intends to continue acquiring new land parcels or projects in locations in and/or outside the PRC with vibrant economies and strong growth potential, in particular, the Greater Bay Area, Shanghai and Sydney of Australia.

LETTER FROM VBG CAPITAL

The Group's financial resources and liquidity

The table below summarises the Group's unaudited financial resources and liquidity as at 30 June 2022 as extracted from the 2022 Interim Report:

	As at 30 June 2022 <i>HK\$'000</i>
Current assets	
– Restricted and pledged deposits	2,326,543
– Cash and cash equivalents	959,108
Current liabilities	
– Bank loans and other borrowings	4,743,892
– Bonds payable	252,503
Non-current liabilities	
– Bank loans and other borrowings	4,715,426

Cash and bank deposits

As at 30 June 2022, the Group had cash and bank deposits totaling approximately HK\$3,285.7 million, representing a decline of approximately 16.6% as compared to 31 December 2021. Over two-third of the Group's total cash and bank deposits were restricted and pledged.

Bank loans and other borrowings

As at 30 June 2022, the Group had total short-term and long-term bank loans and other borrowings of approximately HK\$9,459.3 million, out of which approximately HK\$4,743.9 million (including the Loan) were repayable within one year. The Group had bank loans of approximately HK\$8,277.0 million as at 30 June 2022 which carry fixed interest rates ranging from 0.7% to 7.4% per annum.

The bonds payable

On 20 September 2021, the Group entered into a subscription agreement with a third party for private offering of corporate bonds of US\$32.5 million (the "Bonds") with a term of 364 days. The amount was interest-bearing at 9% per annum and secured by the issued share capital of a subsidiary and receivables owned by the Company. The principal amount and accrued interest of the Bonds were repaid in full in September 2022.

LETTER FROM VBG CAPITAL

Reasons for the entering into of the Second Supplemental Agreement

As mentioned under the sub-section headed “Business review of the Group” of this letter of advice, the Group specialises in the development and operation of urban mixed-use communities and the development and sale of residential properties in the Greater Bay Area, the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC. As at 30 June 2022, the Group had a total of 22 projects over 11 cities in various stages of development, including completed projects, projects under development, projects held for future development and projects contracted to be acquired or under application for change in land use. As at 30 June 2022, the total capital commitments outstanding but not provided for of the Group, which were mainly related to development expenditure for the Group’s properties under development and acquisition cost of the Group’s projects, amounted to approximately HK\$2,089.2 million.

Taking into account the current business development plan of the Group which is of massive scale, together with the fact that, amongst others, the Group had total short-term and long-term bank loans and other borrowings of approximately HK\$9,459.3 million as at 30 June 2022, out of which approximately HK\$4,743.9 million (including the Loan) were repayable within one year, we concur with the Directors that the Group has substantial capital requirements and financing needs on an ongoing basis.

According to the 2022 Interim Report, the Group had unpledged cash and cash equivalents of approximately HK\$959.1 million only as at 30 June 2022, out of which the available cash in Hong Kong was limited. In view of its existing financial resources and liquidity position, the Group has an imminent need to obtain additional funds of sizeable amount to fulfil its capital requirements. Upon our discussion with the Directors, we understand that the Company has considered both debt financing and equity financing to raise additional funds of considerable size as the principal amount of the Loan. Nevertheless, in light of the continuance of the COVID-19 pandemic (the “**Pandemic**”) leading to sceptical investor behaviour, equity financing that requires underwriting (in the case of rights issue and open offer) is considered to be rather impracticable at present, not to mention that it would create dilution to the existing shareholding of the Shareholders (in the case of placing or both rights issue and open offer in the event that the Shareholders choose not to participate in). For this reason, the Company has chosen to use various means of debt financing, such as bank loans and other borrowings, and the issue of Bonds, to fund its capital requirements, and considers the entering into of the Second Supplemental Agreement to extend the term of the Loan to be advantageous to the Company as balanced against the additional interest cost for the Loan.

In light of that (i) the Group has ongoing substantial financing needs for future business development and debt repayment; and (ii) equity financing is rather impracticable for the Group at present, we concur with the Directors that the entering into of the Second Supplemental Agreement to extend the term of the Loan is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

LETTER FROM VBG CAPITAL

2. Principal terms of the Second Supplemental Agreement

As extracted from the Letter from the Board, the principal terms of the Second Supplemental Agreement dated 11 October 2022 are as follows:

- Parties:
- (1) the Lenders, including Metro Property which will continue acting as a lender while Lee Kim Tah will cease to be a lender;
 - (2) the Borrower, as borrower;
 - (3) the Company, as guarantor;
 - (4) the Facility Agent, as facility agent; and
 - (5) the Security Agent, as security agent.

Subject matter: Pursuant to the Second Supplemental Agreement, the parties have conditionally agreed on the Variations of Terms as detailed below:

	Original terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement)	Variations of Terms as contemplated under the Second Supplemental Agreement
“Lenders”	Metro Property and Lee Kim Tah.	<u>Metro Property</u> Lee Kim Tah will cease to be a Lender and a Party to the Secured Facility Agreement.

LETTER FROM VBG CAPITAL

	Original terms of the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement)	Variations of Terms as contemplated under the Second Supplemental Agreement
“Term”	24 months from the Utilisation Date, with an option of 24-month extension at the Borrower’s request subject to additional terms and conditions set out in the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement).	48 months from the Utilisation Date, with a 24 -month extension at the Borrower’s request subject to additional terms and conditions set out in the Secured Facility Agreement (as amended and supplemented by the First Supplemental Agreement and the Second Supplemental Agreement).
“Repayment”	The Borrower must repay the entire outstanding Loan and all accrued and unpaid interest and all other sums payable under the Finance Documents on the Final Repayment Date (that is, 24 months from the Utilisation Date) or the extended Final Repayment Date (that is, 48 months from the Utilisation Date).	The Borrower must repay the entire outstanding Loan and all accrued and unpaid interest and all other sums payable under the Finance Documents on the Final Repayment Date (that is, 48 months from the Utilisation Date) or the extended Final Repayment Date (that is, 72 months from the Utilisation Date).

Save for the above changes, all the terms of the Secured Facility Agreement shall remain unchanged.

Extension of the term

As demonstrated under the sub-section headed “Reasons for the entering into of the Second Supplemental Agreement” of this letter of advice, the Group had unplugged cash

LETTER FROM VBG CAPITAL

and cash equivalents of approximately HK\$959.1 million as at 30 June 2022, which were insufficient for meeting its short-term debt repayment obligations and other capital requirements. The Group therefore has an imminent need to obtain additional funds of sizeable amount. The Company has considered both debt financing and equity financing but found the latter rather impracticable. Thus, the extension of the term of the Loan at the discretion of the Borrower will allow flexibility and relieve the imminent funding pressure of the Group in the short to medium run.

The Interest Rate

Pursuant to the Second Supplemental Agreement, the interest rate for the Loan (the “**Interest Rate**”) will remain at 11% per annum. To assess the fairness and reasonableness of the Interest Rate, we have considered the following factors based on our independent research:

(a) Tightened financing and liquidity of the PRC property market

Supervision on real estate financing in the PRC has been tightened since 2018. In May 2018, the National Development and Reform Commission (“**NDRC**”) and the Ministry of Finance jointly issued the “Notice on Perfecting Market Constraint Mechanism Strictly Preventing External Debt Risk and Local Debt Risk”, restricting foreign debt funds investment by real estate enterprises. During the same month, the China Banking and Insurance Regulatory Commission (“**CBIRC**”) also issued the “Management Measures for Joint Credit Grants of Banking Financial Institutions (Trial)”, under which real estate enterprises with large debts, high leverage and insufficient solvency were prohibited from bank credit; whilst the Ministry of Housing and Urban-Rural Development (“**MOHURD**”) issued the “Notice on Further Improving the Relevant Issues Concerning the Regulation and Control of the Real Estate Market”, under which land purchase by enterprises using borrowed funds was banned.

Thereafter, the Chinese government’s supervision on real estate financing has not shown any sign of relaxation. In May 2019, CBIRC issued the “Notice on Launching the Work of Consolidating the Achievements in Rectification of Chaotic Practices and Promoting the Compliance Construction (No. 23 [2019] of the China Banking and Insurance Regulatory Commission)” which prohibited commercial banks, trusts, leasing and other financial institutions from conducting any non-compliant real estate financing. In July 2019, NDRC clearly stated that the issue of foreign debt by real estate enterprises could only be applied to replace the mid- and long-term overseas bonds due within the next year.

In 2020, the outbreak of the Pandemic posed a new downside risk to the PRC property market. Impacted by the Pandemic, sales volume of the property market plummeted and has been recovering slowly, and cash flow has been hampered. In late August 2020, MOHURD and the People’s Bank of China (“**PBOC**”) held a meeting

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with several key real estate enterprises to discuss a long-term mechanism for regulating the property market. After the meeting, MOHURD and PBOC introduced new capital and financing management rules, commonly known as the “Three Red Lines”, to regulate the property market, requiring real estate enterprises to maintain (i) a debt-to-asset ratio of less than 70% excluding deposits received; (ii) a net debt ratio of less than 100%; and (iii) a cash to short-term debt ratio of greater than one. PBOC and CBIRC further decided to establish rules for management of concentrated real estate loans, and thereby jointly issued the “Notice of Establishing Rules for the Management of Concentration of Real Estate Loans of Banking Financial Institutions (No. 322 [2020] of the People’s Bank of China)” in December 2020.

In order to effectively implement the decisions and arrangements of the CPC Central Committee and the State Council in relation to promoting the stable and sound development of the property market, the “Notice Regarding Preventing the Flow of Loans for Business Purposes into the Real Estate Field in Violation of Rules (No. 39 [2021] of the General Office of the China Banking and Insurance Regulatory Commission)” was issued in March 2021.

As a result of the aforesaid stringent government control, the cost of debt financing of real estate enterprises in the PRC rose persistently from 2018 onwards. In 2021, the total interest-bearing liability of PRC’s real estate enterprises decreased by approximately 9.9% as compared to 2020. This was the first year-on-year reduction since 2011, which marked the end of the rapid development era with high liquidity and leverage. Attributable to the “Three Red Lines”, the debt-to-asset ratio excluding deposits received of real estate enterprises was approximately 71.5%, down by approximately 1.1% as compared to 2020; the net debt ratio was approximately 71.0%, down by approximately 1.3% as compared to 2020; and the cash to short-term debt ratio was approximately 1.2, down by approximately 0.18 times as compared to 2020.

(b) Global rise of interest rates

The global economy is facing complex challenges. Unrelenting inflation pressures, the war in Ukraine and the Pandemic have prompted the fastest rise in global interest rates since the early 1990s. The US Board of Governors of the Federal Reserve System started to raise its short-term interest rate to 0.5% in March 2022, and successively to 1%, 1.75% 2.5% and 3.25% in May, June, July and September 2022. Other developed-market central banks, such as the Swiss National Bank, the Bank of England, the European Central Bank and central banks in Australia, Brazil, Canada, India, Korea, Mexico, Poland, South Africa etc., have all followed suit. In Hong Kong, the Hong Kong and Shanghai Banking Corporation also raised the best lending rate it offered from 5% to 5.125% recently, and it seems that further rate surge is inevitable. Hence, the cost of bank loans and borrowings will be escalating in the short to medium run.

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(c) The Company's attempt to identify other means of debt financing

As aforementioned, the Group's bank loans as at 30 June 2022 carried interest ranging from approximately 0.7% to 7.4% per annum. In this relation, the Directors advised us that those bank loans mainly consist of project loans with land, buildings and investment properties of the Group as security and interest rates of bank loans are generally lower than the interest rates of borrowings provided by other financial institutions or bonds/notes. As disclosed in 2022 Interim Report, a majority of the Group's properties and other assets were pledged to financial institutions for obtaining debt financing. In particular, over two-third of the Group's total cash and bank deposits were restricted and pledged; and approximately HK\$6,653.1 million out of approximately HK\$8,629.6 million in respect of the Group's investment properties and approximately HK\$5,578.4 million out of approximately HK\$7,488.5 million in respect of the Group's inventories were pledged to secure bank loans and other borrowings, representing approximately 77.1% of the Group's investment properties and approximately 74.5% of the Group's inventories as at 30 June 2022.

Judging from (i) the minimal net profit recorded by the Group during the first half of 2022; and (ii) that the Group has already used up most of its properties and other assets as pledges for its existing bank loans and other borrowings, we concur with the Directors that it would be rather difficult for the Group to obtain further borrowings in the amount comparable to the Loan at low interest costs without lengthy negotiations. For this reason, a closer reference would be the Bonds of US\$32.5 million which were issued by the Company to a third party in September 2021 at annual interest rate of 9% with a term of 364 days. Given that the principal amount of the Loan triples that of the Bonds and the term of the Loan is much longer than that of the Bonds, it is justifiable for the Interest Rate to be slightly higher than the interest rate of the Bonds.

(d) Comparable analysis

To evaluate as to whether the Interest Rate follows common market practice in loan provision regardless of business nature of the borrowers and/or the lenders, we have researched over the website of the Stock Exchange on an exhaustive basis regarding the provision of financial assistance by listed companies in Hong Kong to independent third parties. To the best of our knowledge and as far as we are aware of, there were 19 such announcements (the "**Comparables**") dated from 11 September 2022 to 10 October 2022 (being the 1-month period prior to the date of the Second

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Supplemental Agreement). We chose the said 1-month research period due to its recency before the signing of the Second Supplemental Agreement and we consider the Comparables to be fair and representative. Summarised below are our relevant findings:

Date of announcement	Company (stock code)	Principal amount of the loan	Term of the loan	Annual interest rate	Details of security/ guarantee/collateral
7 October 2022	Global International Credit Group Limited (1669)	HK\$34,000,000	24 months	8%	A first legal charge/mortgage in respect of a residential property and two car parking spaces
6 October 2022	Hang Pin Living Technology Company Limited (1682)	HK\$20,000,000	12 months	10%	Not mentioned in the relevant announcement
6 October 2022	Cybernaut International Holdings Company Limited (1020)	HK\$36,400,000	12 months	9%	A first legal charge over 11 properties
5 October 2022	Emperor Capital Group Limited (717)	HK\$66,500,000	12 months	11%	A first mortgage over a residential unit and a parking space
1 October 2022	Yuxing InfoTech Investment Holdings Limited (8005)	HK\$60,000,000	6 months	5%	Accounts receivables and deposits as collateral
30 September 2022	Oi Wah Pawnshop Credit Holdings Limited (1319)	HK\$40,000,000	12 months	10.13% & 13.13%	A first legal charge in respect of several car parking spaces

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Date of announcement	Company (stock code)	Principal amount of the loan	Term of the loan	Annual interest rate	Details of security/ guarantee/collateral
30 September 2022	Yuxing InfoTech Investment Holdings Limited (8005)	HK\$41,000,000	9 months	8%	Accounts receivable as collateral
30 September 2022	Global International Credit Group Limited (1669)	HK\$22,000,000	24 months	10.8% & 10%	Two first legal charges/mortgages in respect of two residential properties
29 September 2022	SRE Group Limited (1207)	RMB380,000,000	35 months	8.5%	A list of guarantors and pledgors plus properties as security
28 September 2022	Global International Credit Group Limited (1669)	HK\$4,300,000	12 months	11%	Two first legal charges/mortgages in respect of a car parking space and a retail shop
28 September 2022	Yue Da International Holdings Limited (629)	RMB50,000,000	12 months	8% to 9.5%	A company guarantor
27 September 2022	Doyen International Holdings Limited (668)	RMB36,000,000	12 months	12%	Secured by accounts receivables
26 September 2022	Planetree International Development Limited (613)	HK\$50,000,000	12 months	6%	Nil
22 September 2022	NOVA Group Holdings Limited (1360)	RMB25,000,000	Approximately 8 or 9 months	6%	A guarantee contract

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Date of announcement	Company (stock code)	Principal amount of the loan	Term of the loan	Annual interest rate	Details of security/ guarantee/collateral
22 September 2022	China Harmony Auto Holding Limited (3836)	RMB270,000,000	18 months	5%	Guaranteed by a PRC company
21 September 2022	Pinestone Capital Limited (804)	HK\$20,000,000	12 months	15%	Secured by a share charge and a guarantee
15 September 2022	Luxey International (Holdings) Limited (8041)	HK\$5,000,000	12 months	6%	A first legal charge over a property
14 September 2022	Rich Goldman Holdings Limited (0070)	HK\$6,500,000	15 years	22.74%	A second legal charge in respect of two residential properties
13 September 2022	Wan Kei Group Holdings Limited (1718)	HK\$15,000,000	6 months	7.5%	Guaranteed by guarantors

From the above table, we noted that except for the loan provided by Hang Pin Living Technology Company Limited (stock code: 1682) of which information was unavailable in the relevant announcement and the unsecured loan provided by Planetree International Development Limited (stock code: 613), loans of the Comparables were all secured in different forms, such as personal or corporate guarantees, legal charge/mortgage on properties, and charge of shares or accounts receivables. Likewise, the Loan is also a secured loan by means of corporate guarantee, charge of shares and loans assignment. Under such same circumstances, the interest rates of the Comparables ranged from 5% to 22.74% and six of the Comparables were with interest rate higher than or equivalent to the Interest Rate of 11%. At the same time, we noted that the principal amount of the Loan was much higher than that of the Comparables which would help to justify a higher interest rate. As such, the Interest Rate is not exceptional in the market.

To conclude, having taken into account (i) the PRC government's deleveraging policy on the real estate market which has severely tightened both financing and liquidity, making real estate enterprises very hard to secure funds; (ii) the trend of rising interest rates globally that will escalate the cost of bank loans and borrowings in the short to medium run; (iii) the failing attempt of the Company to identify other means of probable low costs debt financing in the short term; (iv) the Interest Rate is

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comparable to the interest rate of the Bonds considering also the considerable size of the principal amount and longer term of the Loan; and (v) the results of our comparable analysis as just illustrated which show that the Interest Rate is not exceptionally high based on market comparison in particular that the principal amount of the Loan was much higher than that of the Comparables, we are of the view that the Interest Rate is fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Second Supplemental Agreement

As confirmed by the Directors, it is expected that the Second Supplemental Agreement would not have any immediate material effect on the Group's asset and liability position. The Loan will be classified as a non-current liability of the Group in its consolidated statement of financial position as at 31 December 2022 after the Variations of Terms taking effect.

On the other hand, based on the Loan amount of US\$120 million and the Interest Rate of 11%, the estimated annual interest expense for the Loan would be approximately US\$13.2 million during the remainder term of the Loan.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Second Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Second Supplemental Agreement, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Type of interest	Number of Shares held (Shares) (a)	Number of Share options held (Shares) (b)	Number of PCSs held (Shares) (c)	Total number of Shares and underlying Shares held	Approximate percentage of issued Shares (%)
					(a)+(b)+(c) <i>Shares (L)</i>	
Mr WONG Chun Hong ("Mr WONG") <i>(Note 2)</i>	Interest in a controlled corporation	148,500	-	-	148,500 <i>Shares (L)</i>	0.01
	Settlor of a trust	417,593,500	-	116,552,800	534,146,300 <i>Shares (L)</i>	37.81
	Beneficial owner	5,083,200	1,400,000	-	6,483,200 <i>Shares (L)</i>	0.46

Name of Director	Type of interest	Number of		Number of PCSs held (Shares) (c)	Total number of Shares and underlying Shares held (Note 1) (a)+(b)+(c) Shares (L)	Approximate percentage of issued Shares (%)
		Number of Shares held (Shares) (a)	Share options held (Shares) (b)			
Mr CHENG Yuk Wo ("Mr CHENG") (Note 3)	Beneficial owner	-	1,420,000	-	1,420,000 Shares (L)	0.10
Professor WU Si Zong ("Professor WU") (Note 4)	Beneficial owner	-	400,000	-	400,000 Shares (L)	0.03

Notes:

- (1) The letter "L" denotes the Director's long position in the Shares or underlying Shares.
- (2) Kang Jun Limited ("Kang Jun") is wholly-owned by Mr WONG. By virtue of the SFO, Mr WONG is deemed to be interested in 148,500 Shares held by Kang Jun. Chance Again Limited ("Chance Again") is wholly-owned by Cheung Yuet (B.V.I.) Limited ("BVI Co"). The entire issued share capital of BVI Co is wholly-owned by HSBC International Trustee Limited ("HSBC International Trustee") as the trustee of the Cheung Yuet Memorial Trust, a discretionary family trust established by Mr WONG (the "WONG's Family Trust") and the beneficiaries of which include Mr WONG's family members. Mr WONG is the settlor and the protector of the WONG's Family Trust. By virtue of the SFO, Mr WONG is deemed to be interested in 417,593,500 Shares held by Chance Again and 116,552,800 underlying Shares in relation to the PCSs held by Chance Again. Mr WONG beneficially owned 5,083,200 Shares and 1,400,000 options granted to him by the Company under the post-IPO share option scheme of the Company (the "Post-IPO Share Option Scheme") (Lot 1). These share options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$2.264 per Share during the period from 26 June 2013 to 25 June 2022.
- (3) Mr CHENG's long position in the underlying Shares comprises (i) 420,000 options granted to him by the Company under the Post-IPO Share Option Scheme (Lot 1) and (ii) 1,000,000 options granted to him by the Company under the Post-IPO Share Option Scheme (Lot 3). These share options, all of which remained exercisable as at the Latest Practicable Date, were exercisable as to (i) 420,000 share options (Lot 1) at the subscription price of HK\$2.264 per Share during the period from 26 June 2013 to 25 June 2022, and (ii) 1,000,000 share options (Lot 3) at the subscription price of HK\$3.300 per Share during the period from 28 April 2016 to 27 April 2025.
- (4) Professor WU's long position in the underlying Shares comprises 400,000 outstanding options granted to him by the Company under the Post-IPO Share Option Scheme (Lot 3). These share options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$3.300 per Share during the period from 28 April 2016 to 27 April 2025.

(b) Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Capacity	Number of Shares held (Shares) (a)	Number of Share options held (Shares) (b)	Number of PCSs held (Shares) (c)	Number of Convertible Bonds held (Shares) (d)	Total number of Shares and underlying	Approximate percentage of issued Shares (%)
						(a)+(b)+(c)+(d) Shares (L)	
Chance Again (Note 2)	Beneficial owner	417,593,500	–	116,552,800	–	534,146,300 Shares (L)	37.81%
BVI Co (Note 2)	Interest in a controlled corporation	417,593,500	–	116,552,800	–	534,146,300 Shares (L)	37.81%
HSBC International Trustee (Note 2)	Trustee of a trust	417,593,500	–	116,552,800	–	534,146,300 Shares (L)	37.81%
Ms LIU Choi Lin (“Ms LIU”) (Notes 2 & 3)	Interest of spouse	422,825,200	1,400,000	116,552,800	–	540,778,000 Shares (L)	38.28%
Caiyun International Investment Limited (彩雲國際投資有限公司) (“Caiyun”) (Note 4)	Beneficial owner	400,959,840	–	–	–	400,959,840 Shares (L)	28.38%

Name	Capacity	Number of Shares held (Shares) (a)	Number of Share options held (Shares) (b)	Number of PCSs held (Shares) (c)	Number of Convertible Bonds held (Shares) (d)	Total number of Shares and underlying Shares held	Approximate percentage of issued Shares (%)
						(a)+(b)+(c)+(d) Shares (L)	
Yunnan Health & Cultural Tourism Holding Group Co., Ltd. (雲南省康旅控股集團有限公司) (“YHCT”) (Note 4)	Interest in a controlled corporation	400,959,840	-	-	-	400,959,840 Shares (L)	28.38%
Crown Investments Limited (“Crown Investments”) (Note 5)	Interest in a controlled corporation	227,970,810	-	-	-	227,970,810 Shares (L)	16.14%
Metro Holdings Limited (“Metro”) (Note 5)	Interest in a controlled corporation	228,390,110	-	-	-	228,390,110 Shares (L)	16.17%
Mr ONG Jenn (Note 6)	Interest in a controlled corporation	228,390,110	-	-	-	228,390,110 Shares (L)	16.17%
Mr ONG Sek Hian (Note 6)	Interest in a controlled corporation	228,390,110	-	-	-	228,390,110 Shares (L)	16.17%
	Beneficial owner	988,000	-	-	-	988,000 Shares (L)	0.07%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares or underlying Shares of the Company.
- (2) Chance Again is wholly-owned by BVI Co. The entire issued share capital of BVI Co is wholly-owned by HSBC International Trustee as the trustee of the WONG’s Family Trust. Mr WONG is the settlor and the protector of the WONG’s Family Trust. By virtue of the SFO, Mr WONG is deemed to be interested in 417,593,500 Shares held by Chance Again and 116,552,800 underlying Shares in relation to the PCSs held by Chance Again.
- (3) Ms LIU is the spouse of Mr WONG. By virtue of the SFO, Ms LIU is deemed to be interested in all the Shares and underlying Shares in which Mr WONG is interested.

- (4) 400,959,840 Shares are held by Caiyun, which is wholly-owned by YHCT (formerly known as Yunnan Metropolitan Construction Investment Group Co., Ltd., “YMCI”). Accordingly, YHCT is deemed to be interested in all the Shares and the underlying Shares held by Caiyun.
- (5) 227,970,810 Shares were held by Crown Investments Limited which was in turn wholly-owned by Metro China Holdings Pte Ltd which was in turn wholly-owned by Metro. 419,300 Shares were held by Meren Pte Ltd which was in turn wholly-owned by Metro. By virtue of the SFO, Metro is deemed to be interested in 227,970,810 Shares and 419,300 Shares held by Crown Investments Limited and Meren Pte Ltd, respectively.
- (6) Metro’s ultimate controlling shareholders (as defined under the Listing Rules) are Mr. Ong Jenn and Mr. Ong Sek Hian, and their aggregate direct and deemed interest in Metro is approximately 35.398%. By virtue of the SFO, Mr ONG Jenn is deemed to be interested in the 227,970,810 Shares and 419,300 Shares held by Crown Investments Limited and Meren Pte Ltd, respectively. Mr ONG Sek Hian is deemed to be interested in the 227,970,810 Shares and 419,300 Shares held by Crown Investments Limited and Meren Pte Ltd, respectively. In addition, Mr ONG Sek Hian beneficially owned 2,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, Mr YIP, a non-executive Director, is the Group Chief Executive Officer of Metro. Moreover, Mr WONG, the Chairman, the Chief Executive Officer and an executive Director is himself a substantial Shareholder.

3. DIRECTOR’S COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective close associates (as defined in the Listing Rules) was considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS’ INTERESTS IN ASSETS

None of the Directors had any interest, directly or indirectly, in any asset which has, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting entered into by any member of the Group subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

Save for the disclosures made in the profit warning announcement of the Company dated 23 August 2022 in connection with the unaudited interim results of the Group for the six months ended 30 June 2022 as well as the interim report of the Company for the six months ended 30 June 2022 published on 19 September 2022, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

The qualifications of the expert who has been named in this circular or have given opinions or advice which are contained herein are set out below:

Name	Qualifications
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, VBG Capital does not have any interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, VBG Capital does not have any interest, direct or indirect, in any assets which have been since 31 December 2021, being the date up to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

VBG Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letter of advice or report and/or references to its name in the form and context in which it appears.

9. GENERAL

- (a) All references to times and dates in this circular refer to Hong Kong times and date.
- (b) The English text of this circular shall prevail over its Chinese text.

10. DOCUMENTS ON DISPLAY

The following documents will be published on the website on the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.topspring.com) for a period of 14 days commencing from the date of this circular,

- (i) the amended and restated memorandum of association and the articles of association of the Company;
- (ii) the Second Supplemental Agreement;
- (iii) a letter of recommendation dated 1 November 2022 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (iv) a letter of advice dated 1 November 2022 from VBG Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from VBG Capital” in this circular;
- (v) the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (vi) this circular.

NOTICE OF EGM



TOP SPRING INTERNATIONAL HOLDINGS LIMITED

萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03688)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of shareholders of Top Spring International Holdings Limited (the “**Company**”) will be held at Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Wednesday, 16 November 2022 at 10 a.m. or any adjournment thereof to consider and, if thought fit, to pass with or without amendments, the following resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the Second Supplemental Agreement (as defined in the circular of the Company dated 1 November 2022 of which this notice forms part) (a copy of which is tabled at the EGM for identification purpose), the form and substance thereof and all the transactions as contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Second Supplemental Agreement and the transactions contemplated thereby.”

By order of the Board
Top Spring International Holdings Limited
WONG Chun Hong
Chairman

Hong Kong, 1 November 2022

NOTICE OF EGM

Headquarters and principal place of business in Hong Kong:

Rooms 04–08, 26th Floor

Shui On Centre

6–8 Harbour Road

Wanchai

Hong Kong

Notes:

1. Any member entitled to attend and vote at the EGM (and any adjournment of such meeting) shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM (and any adjournment of such meeting). A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. In order to be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM (or any adjournment of such meeting) (as the case may be) at which the person named in the instrument proposes to vote.
4. The register of members and the register of holders of the perpetual subordinated convertible securities ("PCSs") of the Company will be closed from Friday, 11 November 2022 to Wednesday, 16 November 2022 (both days inclusive), during which period no transfer of the Shares and PCSs will be effected. In order to qualify for attending and voting at the EGM or any adjournment of such meeting, (a) in the case of the Shares, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Thursday, 10 November 2022; and (b) in the case of the PCSs, the notice of conversion in prescribed form, together with the relevant certificate of the PCSs and confirmation that any amounts required to be paid by the holder of the PCSs have been so paid, must be duly completed, executed and deposited with the Company at Rooms 04–08, 26th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 November 2022.
5. Completion and return of the proxy form does not preclude a member from attending and voting in person at the EGM (or any adjournment of such meeting) and, in such event, the proxy form shall be deemed to be revoked.
6. Where there are joint holders of any shares of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders are present at the EGM (and any adjournment of such meeting), the most senior will alone be entitled to vote, whether in person or by proxy. For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF EGM

Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus (“COVID-19”):

In view of the evolving COVID-19 situation, the Company reserves the right to take the following precautionary measures as may be appropriate at the EGM:

- All attendees will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purposes of contact tracing if required) before entering the EGM venue
- Any person who has a fever will not be permitted to attend the EGM. Persons exhibiting flulike symptoms may also be refused admittance at the Company’s discretion
- The Company will limit the attendance in person at the EGM venue in accordance with the prevailing requirements or guidelines published by the Hong Kong Government and/or regulatory authorities at the time of the EGM
- No refreshments will be served at the EGM

The Shareholders who are feeling unwell or have been placed on leave of absence on the date of the EGM are advised not to attend the EGM. Attendees who feel unwell (even without flu-like symptoms) are encouraged to wear surgical masks.

The Shareholders who prefer not to attend or are restricted from attending the EGM may still vote by proxy and are advised to take note of the latest date and time for the lodgement of the proxy form.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to the Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

The EGM will commence sharply at 10 a.m., and the Shareholders are encouraged to arrive at the EGM venue at least half an hour prior to the meeting commencement time to avoid delays from precautionary measures mentioned above in the registration process.