THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Fullsun International Holdings Group Co., Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

福晟國際 FULLSUN

FULLSUN INTERNATIONAL HOLDINGS GROUP CO., LIMITED
福晟國際控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00627)

(1) CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
(3) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
(4) CREDITORS' SCHEME;
(5) APPLICATION FOR WHITEWASH WAIVER;
(6) VERY SUBSTANTIAL DISPOSAL IN RELATION TO TRANSFER OF THE SCHEME SUBSIDIARIES TO THE SCHEMECO PURSUANT TO CREDITORS' SCHEME; AND
(7) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser

AmCap
Ample Capital Limited
豐盛融資有限公司

Terms in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 16 to 76 of this circular. A letter from the Independent Board Committee is set out on pages 77 to 78 of this circular. A letter from the Independent Financial Adviser is set out on pages 79 to 116 of this circular.

A notice convening the SGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 13 July 2023 is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.fullsun.com.hk. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the company secretary of the Company, at Room 1811, 18/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or at any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

The Chinese version of this circular is for reference only. Should there be any discrepancies, the English version shall prevail.

23 June 2023

CONTENTS

The expected timetable for the Capital Reorganisation and the Change in Board Lot Size as set out below is for indicative purposes only and the expected timetable is subject to change. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

	Time and Date
Despatch of this circular	Friday, 23 June 2023
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM	4:30 p.m. on Friday, 7 July 2023
Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the SGM (both dates inclusive)	Monday, 10 July 2023 to Thursday, 13 July 2023
Latest time for lodging the proxy form of the SGM	11:00 a.m. on Tuesday, 11 July 2023
Date and time of the SGM	11:00 a.m. on Thursday, 13 July 2023
Announcement of the results of the SGM	Thursday, 13 July 2023

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reorganisation:

Effective date of the Capital Reorganisation	Monday, 17 July 2023
First day for free exchange of existing share certificates for new share certificates	Monday, 17 July 2023
Commencement of dealings in New Shares	9:00 a.m. on Monday, 17 July 2023

Original counter for trading in Existing Shares in board lots of 5,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 17 July 2023
Temporary counter for trading in New Shares in board lots of 50 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 17 July 2023
Original counter for trading in New Shares in board lots of 20,000 New Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 31 July 2023
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Monday, 31 July 2023
Designated broker starts to provide matching services for odd lots of New Shares	9:00 a.m. on Monday, 31 July 2023
Designated broker ceases to provide matching services for odd lots of New Shares	4:00 p.m. on Friday, 18 August 2023
Temporary counter for trading in New Shares in board lots of 50 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Friday, 18 August 2023
Parallel trading in New Shares (in the form of new share certificates and existing share certificates) ends	4:10 p.m. on Friday, 18 August 2023
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Tuesday, 22 August 2023

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

"13 May 2022 Announcement"	the announcement of the Company dated 13 May 2022 in relation to, among others, the possible subscription of new Shares by Jet Power Investments Limited
"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Admitted Claim(s)"	a Claim which is admitted by the Scheme Administrators in accordance with the Scheme
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday or a Sunday or a public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws for the time being adopted by the Company and as amended from time to time
"Capital Reduction"	the reduction of the par value of the issued Consolidated Shares by (i) cancelling any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) cancelling the paid-up capital to the extent of HK$0.99 on each of the then issued Consolidated Shares such that the par value of all the then issued Consolidated Shares will be reduced from HK$1.00 to HK$0.01
"Capital Reorganisation"	collectively the Share Consolidation and the Capital Reduction

"Cash Consideration"	the payment of cash in the amount equivalent to the net proceeds (after deducting the costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions)) from the Subscription, being an amount not less than HK$136,000,000
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Change in Board Lot Size"	the change in board lot size for trading in the Shares from 5,000 Existing Shares to 20,000 New Shares after and conditional upon the Capital Reorganisation becoming effective
"CIS Investments"	CIS Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of CIS Group Limited, the ultimate controlling shareholder of which is Ms. Kan King Yee Karen
"CIS SAM"	CIS Securities Asset Management Limited, the investment manager of the Subscriber and a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities and a wholly owned subsidiary of CIS Group Limited
"Claim"	any debt, liability or obligation of the Company, whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated and which includes without limitation a debt or liability to pay money or money's worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution which would be admissible to proof in a compulsory winding-up of the Company under the CWUMPO or, if required, the Companies Act, and any liability arising out of any legal claims, whether certain or contingent, against various third parties who have been identified

"Company"	Fullsun International Holdings Group Co., Limited (福晟國際控股集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 627)
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Completion"	completion of the Subscription in accordance with the Subscription Agreement
"Completion Date"	the date which is the Long Stop Date or three (3) Business Days immediately after the date of fulfilment (or, where applicable, waiver) of all the conditions precedent to the Subscription Agreement, whichever is earlier (or such later date as may be agreed in writing between the Parties)
"Connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration payable by the Subscriber to the Company for the Subscription of the Subscription Shares in the sum of HK$168,000,000
"Consolidated Share(s)"	Share(s) of a par value of HK$1.00 each of the Company upon the Share Consolidation becoming effective
"Co-Obligors"	the Sure Valued Co-Obligors, the Harbor Sure Co-Obligors and the Profound Success Co-Obligors
"Creditor(s)"	any person having a Claim which is not a Preferential Claim (and where the Claim is only in part a Preferential Claim, then the person is a Creditor only to the extent of the non-preferential portion of the Claim)

"CWUMPO"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Deconsolidated Subsidiary(ies)"	Gold Asset, Wise Think and Vivalink
"Director(s)"	the director(s) of the Company
"Effective Date"	the date on which the Scheme becomes effective, being the latest of (a) the date of delivery of an office copy of the order of the High Court sanctioning the Scheme to the Registrar of Companies in Hong Kong for registration; (b) the date of the completion of the transfer of the Cash Consideration to the Scheme Administrators; and (c) the date of the completion of Group Reorganisation
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Existing Share(s)"	Share(s) of a par value of HK$0.01 each in the share capital of the Company before the Capital Reorganisation becoming effective
"Finder's Fee Agreement"	the agreement dated 11 July 2022 entered into between the Company and CIS SAM in respect of the finder's fee in the amount of HK$6,000,000 payable by the Company to CIS SAM for introducing the Subscriber to the Company which led to the Subscription Agreement being entered into
"Giant Astute"	Giant Astute Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
"Grateful Heart"	Grateful Heart Inc., a company incorporated in the BVI with limited liability, the ultimate beneficial owners of which are Mr. Kenichi Yanase as to 70% and Dr. Hiroshi Kaneko as to 30%

"Gold Asset"	Gold Asset Investment Limited, a company incorporated in Hong Kong
"Group"	the Company and its subsidiaries from time to time
"Group Reorganisation"	the transfer of the shares and assets of the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) by Sunny Pavilion to the SchemeCo
"Harbor Sure"	Harbor Sure (HK) Investments Limited, a creditor of the Company and the petitioner in respect of the Petition
"Harbor Sure Borrowing"	an interest bearing borrowing due to Harbor Sure from Vivalink
"Harbor Sure Co-Obligor(s)"	each entity who has provided a guarantee or security under the Harbor Sure Borrowing which was subsisting as at the latest practicable date prior to the printing of the scheme document for the Scheme and who will be a member of the Retained Group (apart from the Company)
"High Court"	the High Court of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Kong Tat Yee, Mr. Yau Pak Yue and Mr. Zheng Zhen, which has been established by the Board for the purpose of advising the Independent Shareholders on the fairness and reasonableness of the terms of the Restructuring Transactions and the Whitewash Waiver and as to voting

"Independent Financial Adviser" or "Ample Capital"	Ample 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, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate and the Whitewash Waiver and whether the terms thereof are fair and reasonable and as to voting
"Independent Shareholder(s)"	Shareholder(s) other than: (i) the Subscriber, CIS SAM and each of their associates; (ii) any parties acting in concert with the Subscriber and/or CIS SAM (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited); (iii) the Shareholders who are involved in or interested in the Restructuring Transactions and/or the Whitewash Waiver (including Tongda Enterprises Limited and its ultimate beneficial owner, Mr. Pan); and (iv) those who are required to abstain from voting at the SGM to consider and approve, among others, the Restructuring Transactions and the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons
"Intelligent Lead"	Intelligent Lead Holdings Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
"Last Trading Day"	11 July 2022, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the September Announcement
"Latest Practicable Date"	20 June 2023, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	31 October 2023 (or such later date as the Parties may agree in writing)
"Mr. Pan"	Mr. Pan Haoran, the ultimate controlling shareholder and the chief executive officer of the Company
"Multi Success"	Multi Success Trading Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"New Share(s)"	Share(s) of a par value of HK$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
"Parties"	the Company and the Subscriber
"Petition"	a winding up petition dated 24 February 2022 filed by Harbor Sure with the Supreme Court against the Company in respect of the Company's alleged failure as guarantor to pay the principal amounts and default interests owed by a wholly-owned subsidiary of the Company to Harbor Sure pursuant to and under a facility agreement entered into between, among others, such wholly-owned subsidiary of the Company as borrower and Harbor Sure as lender
"Placing Down"	the placing down to be conducted by the Subscriber of not less than 305,675,857 New Shares for the purpose of ensuring continuous compliance by the Company with the requirement under Rule 8.08(1) of the Listing Rules immediately before and after Completion
"Preferential Claim(s)"	a Claim which would be treated as a preferential claim and have priority in the Scheme pursuant to Section 265 of the CWUMPO
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Profound Success"	Profound Success Investment Limited, the largest creditor of the Company
"Profound Success Borrowing"	an interest bearing borrowing due to Profound Success from Multi Success
"Profound Success Co-Obligor(s)"	each entity who has provided a guarantee or security under the Profound Success Borrowing which was subsisting as at the latest practicable date prior to the printing of the scheme document for the Scheme and who will be a member of the Retained Group (apart from the Company)
"Properties"	the unsold portions of Fullsun Emerald Bay, Fullsun • Qianlong Bay and La Salle Residence, the information of which are set out in the paragraph headed "Letter from the Board – Transfer of the Scheme Subsidiaries to the SchemeCo pursuant to the Scheme – Information on the properties held by the Scheme Subsidiaries" in this circular
"Receivers"	the joint and several receivers and managers appointed over the properties and shares pledged in relation to the Sure Valued Borrowing
"Relevant Period"	the period commencing from 13 November 2021, being six months prior to the date of the 13 May 2022 Announcement, and up to and including the Latest Practicable Date
"Reorganisation Announcement"	the announcement of the Company dated 2 June 2023 in relation to, among other things, the Group Reorganisation
"Residual Value"	the net proceeds from the realisation of the Scheme Subsidiaries, being the realised amounts after settlement of their respective secured debts
"Restructuring Transaction(s)"	collectively, (i) the Capital Reorganisation; (ii) the Group Reorganisation; (iii) the Subscription; and (iv) the Scheme
"Retained Group"	the Company and the Retained Subsidiaries

"Retained Subsidiaries"	the subsidiaries of the Company other than the Scheme Subsidiaries
"RMB"	Renminbi, the lawful currency of the PRC
"Rosy Success"	Rosy Success Group Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Scheme"	the scheme of arrangement proposed by the Company under Sections 670, 671, 673 and 674 of the Companies Ordinance between the Company and its Creditors, in its present form, together with or subject to any modification of it, any addition to it or any condition approved or imposed by the High Court
"Scheme Administrators"	Messrs. Lai Kar Yan (Derek) and Chan Man Hoi (Ivan) of Deloitte Touche Tohmatsu, jointly and severally or their successors appointed pursuant to the Scheme
"Scheme Assets"	the Cash Consideration and the shares in and assets of the Scheme Subsidiaries (to the extent recoverable by and available to the Scheme Administrators)
"Scheme Costs"	costs, charges, expenses and disbursements properly incurred after the Effective Date in connection with the administration and implementation of the Scheme including the fees and remuneration of the Scheme Administrators and the adjudicator of the Claims appointed under the Scheme
"Scheme Creditor(s)"	Creditor(s) with Claim(s) admitted in the Scheme by the Scheme Administrators in accordance with the terms of the Scheme
"Scheme Subsidiaries"	(i) each of Intelligent Lead, Vivalink and Giant Astute and their respective subsidiaries (including Gold Asset and Wise Think); and (ii) the 49% equity interest in Shanghai Fusheng held indirectly by Vivalink

"September Announcement"	the announcement of the Company dated 13 September 2022 in relation to, among other things, the Restructuring Transactions and the Whitewash Waiver
"SchemeCo"	a special purpose vehicle to be incorporated in Hong Kong and entirely held and controlled by the Scheme Administrators to hold the Cash Consideration and the Scheme Subsidiaries (directly or indirectly) pursuant to the terms of the Scheme
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 13 July 2023 for the purpose of considering, and if thought fit, approving, among others, the Capital Reorganisation, the Subscription, the Specific Mandate, the Whitewash Waiver, the Group Reorganisation and the Scheme
"Shanghai Fusheng"	Shanghai Fusheng Property Co., Ltd.* (上海福晟置業有限公司), a company established in the PRC and owned as to 49% indirectly by Vivalink and as to 51% indirectly by Rosy Success
"Share(s)"	ordinary share(s) of the Company
"Share Consolidation"	the consolidation of every one hundred (100) issued Existing Shares of par value HK$0.01 each into one (1) issued Consolidated Share of par value HK$1.00
"Shareholder(s)"	holder(s) of Share(s)
"Specific Mandate"	the specific mandate to the Directors to be obtained from the Independent Shareholders at the SGM for the allotment and issue of the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscriber"	CIS FUND OFC – CIS OPPORTUNITIES I FUND (順安基金開放式基金型公司 – 順安機遇1號基金), a sub-fund of an open-ended fund company with variable share capital incorporated in Hong Kong
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 11 July 2022 entered into between the Company and the Subscriber in respect of, among others, the Subscription (as supplemented and amended by a supplemental agreement dated 9 September 2022 entered into between the Company and the Subscriber, a second supplemental agreement dated 3 March 2023 entered into between the Company and the Subscriber, a third supplemental agreement dated 2 June 2023 entered into between the Company and the Subscriber and a fourth supplemental agreement dated 20 June 2023 entered into between the Company and the Subscriber)
"Subscription Price"	the total subscription price for the Subscription Shares in the sum equal to the Consideration, and the subscription price per Subscription Share of approximately HK$0.1285
"Subscription Share(s)"	1,307,019,402 New Shares to be subscribed for by the Subscriber and allotted and issued to the Subscriber, representing approximately 92% of the issued share capital of the Company (after the Capital Reorganisation) as enlarged by the allotment and issue of such New Shares
"Sunny Pavilion"	Sunny Pavilion Ventures Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company
"Supreme Court"	the Supreme Court of Bermuda

"Sure Valued"	Sure Valued Holdings Limited, a creditor of the Company; each of Sure Valued Holdings Limited and its ultimate beneficial owners are Independent Third Parties
"Sure Valued Borrowing"	an interest bearing borrowing due to Sure Valued from Vivalink
"Sure Valued Co-Obligor(s)"	each entity who has provided a guarantee or security under the Sure Valued Borrowing which was subsisting as at the latest practicable date prior to the printing of the scheme document for the Scheme and who will be a member of the Retained Group (apart from the Company)
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Shares"	collectively, all the issued shares in each of Intelligent Lead, Giant Astute and Vivalink (which indirectly owns 49% of the equity interests in Shanghai Fusheng)
"Unrestricted Scheme Subsidiaries"	all Scheme Subsidiaries other than the Deconsolidated Subsidiaries
"Vivalink"	Vivalink Limited, a company incorporated in the BVI with limited liability
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber and CIS SAM to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber, CIS SAM and any parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) which would otherwise arise as a result of Completion

"Wise Think"	Wise Think Global Limited, a company incorporated in the BVI
"sq. m."	square metre(s)
"%"	per cent.

* *for identification purpose only.*

For the purpose of this circular and unless otherwise specified, conversion of RMB into HK$ is based on the approximate exchange rate of RMB0.8176 = HK$1. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ or RMB have been, could have been or may be converted at such or any other rate or at all.

福晟國際
FULLSUN

FULLSUN INTERNATIONAL HOLDINGS GROUP CO., LIMITED
福晟國際控股集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00627)

Executive Directors:
Mr. Pan Haoran *(Chief Executive Office)*
Mr. Li Jinrong

Independent non-executive Directors:
Mr. Kong Tat Yee
Mr. Yau Pak Yue
Mr. Zheng Zhen

Principal place of business in Hong Kong:
Room 1811, 18/F
V Heun Building
138 Queen's Road Central
Central
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

23 June 2023

To the Shareholders

Dear Sir or Madam

(1) CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
(3) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;
(4) CREDITORS' SCHEME;
(5) APPLICATION FOR WHITEWASH WAIVER; AND
(6) VERY SUBSTANTIAL DISPOSAL IN RELATION TO TRANSFER OF THE SCHEME SUBSIDIARIES TO THE SCHEMECO PURSUANT TO CREDITORS' SCHEME

INTRODUCTION

Reference is made to (i) the September Announcement; (ii) the announcements of the Company dated 3 October 2022, 3 November 2022, 2 December 2022, 5 January 2023, 3 February 2023, 3 March 2023, 3 May 2023 and 5 June 2023 in relation to the delay in despatch of the circular; (iii) the announcement of the Company dated 6 December 2022 in relation to the appointment of the Independent Financial Adviser; (iv) the Reorganisation Announcement; and (v) the announcement of the Company dated 12 June 2023 in relation to the change in investors of the Subscriber.

On 11 July 2022 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the conditional Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,307,019,402 Subscription Shares at the Consideration of HK$168,000,000, which represents a subscription price per Subscription Share of approximately HK$0.1285. The Subscription is subject to various conditions as set out under the paragraph headed "Letter from the Board – The Subscription – Conditions precedent" in this circular, including, among others, the Capital Reorganisation and the Change in Board Lot Size having become effective and the Scheme having been sanctioned by the High Court.

The purpose of this circular is to provide you with, among other things, details of (i) the Capital Reorganisation; (ii) the Change in Board Lot Size; (iii) the Subscription; (iv) the Specific Mandate; (v) the Whitewash Waiver; (vi) the Scheme; (vii) the Group Reorganisation; (viii) a letter from the Independent Board Committee to the Independent Shareholders; (ix) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (x) a notice convening the SGM.

CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will comprise:

(i) The Share Consolidation

Every one hundred (100) issued Existing Shares of par value HK$0.01 each in the share capital of the Company will be consolidated into one (1) issued Consolidated Share of par value HK$1.00.

(ii) The Capital Reduction

Immediately upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced by (i) cancelling any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation; and (ii) cancelling the paid-up capital to the extent of HK$0.99 on each of the then issued Consolidated Shares such that the par value of all the then issued Consolidated Shares will be reduced from HK$1.00 to HK$0.01.

According to audited consolidated financial statements of the Company for the year ended 31 December 2022, the accumulated loss of the Company was RMB1,952,681,000 (equivalent to approximately HK$2,185,919,000).

The credit arising from the Capital Reduction in the amount of approximately HK$112,517,322 will be credited to the contributed surplus account of the Company within the meaning of the Companies Act for use by the Directors in any manner permitted by the laws of Bermuda and the Bye-laws including but not limited to fully applying it to set off part of the consolidated accumulated loss of the Company.

Upon the Capital Reorganisation becoming effective, the New Shares shall rank *pari passu* in all respects with each other.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after the Capital Reorganisation becoming effective (assuming no Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation):

	As at the Latest Practicable Date	**Immediately upon the Capital Reorganisation becoming effective**
Par value per Share	HK$0.01 per Existing Share	HK$ 0.01 per New Share
Amount of authorised share capital	HK$500,000,000	HK$500,000,000
Number of authorised Shares	50,000,000,000 Existing Shares	50,000,000,000 New Shares
Number of issued Shares	11,365,386,067 Existing Shares	113,653,860 New Shares
Paid up share capital	HK$113,653,860.67	HK$1,136,538.60

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

(i) the passing of a special resolution by the Shareholders to approve the Capital Reorganisation at the SGM;

(ii) the compliance with the relevant procedures and requirements under the Companies Act to effect the Capital Reorganisation, which includes (i) the publication in relation to a notice of the Capital Reduction in Bermuda in accordance with the Companies Act; and (ii) the Directors being satisfied that on the date on which the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due;

(iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares resulting from the Capital Reorganisation; and

(iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

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

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares were traded in board lots of 5,000 Existing Shares. Conditional upon the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 20,000 New Shares.

Based on the closing price of HK$0.02 per Existing Share (equivalent to the theoretical closing price of HK$2.00 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 5,000 Existing Shares is HK$100 and the theoretical value for each new board lot of 20,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK$40,000.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Fractional shares

Fractional Consolidated Shares arising from the Share Consolidation will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company.

Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

Free Exchange of certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may from Monday, 17 July 2023 to Tuesday, 22 August 2023 submit share certificates of the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in exchange, at the expense of the Company, for new share certificates of New Shares. Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the New Shares, whichever number of certificates cancelled/issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Friday, 18 August 2023 (or such other date which may be announced by the Company) and will continue to be good evidence of legal title and may be exchanged for share certificates of the New Shares at any time in accordance with the foregoing.

The new share certificates of the New Shares will be issued in yellow in order to distinguish them from the existing pink colour.

Listing and dealings

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation, the Company has appointed CIS Securities Asset Management Limited as the designated broker to provide matching services, on a best effort basis, to the Shareholders for the sale and purchase of odd lots of New Shares at the relevant market price per New Share. The matching period commences from 9:00 a.m. on Monday, 31 July 2023 to 4:00 p.m. on Friday, 18 August 2023 (both dates inclusive). Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the New Shares or top up to a full board lot may, directly or through their brokers, contact Mr. Chu Wai Leung of 21/F., Centre Point, 181-185 Gloucester Road, Wan Chai, Hong Kong at (852) 3743 1088 during office hours within the aforesaid period.

Shareholders with odd lot holdings of New Shares should note that the matching of the sale and purchase of odd lots of the New Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult their professional advisers.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

The Directors are of the opinion that the proposed Capital Reorganisation will reduce the accumulated losses of the Company and give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. The Capital Reduction will reduce the par value of the issued Consolidated Shares from HK$1.00 per Consolidated Share to HK$0.01 per New Share. Under the laws of Bermuda, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK$0.01 or HK$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK$0.10 on average and the Shares were trading at under HK$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation and the Change in Board Lot Size in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares.

As such, the Directors are of the view that the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

THE SUBSCRIPTION

The Subscription Agreement

A summary of the principal terms is set out below:

Date	:	11 July 2022
Parties	:	(i) the Company (as issuer); and
		(ii) the Subscriber (as subscriber)
Consideration	:	HK$168,000,000
Price per Subscription Share	:	approximately HK$0.1285
Number of Shares to be issued under the Subscription	:	1,307,019,402 New Shares
Enlarged issued share capital upon the Capital Reorganisation becoming effective and upon Completion	:	1,420,673,262 New Shares

Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,307,019,402 Subscription Shares at the Consideration of HK$168,000,000, which represents a subscription price per Subscription Share of approximately HK$0.1285.

After adjusting for the effects of the Capital Reorganisation, the Subscription Shares represent approximately 92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription).

The Subscription is subject to, among other things, the approval of the Independent Shareholders. The Company will allot and issue the Subscription Shares under the Specific Mandate to be granted by the Independent Shareholders at the SGM.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Subscription price

The price per Subscription Share of approximately HK$0.1285 represents:

(a) a discount of approximately 91.4% to the closing price of HK$0.015 per Share (HK$1.50 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation;

(b) a discount of approximately 87.2% to the closing price of HK$0.01 per Share (HK$1.00 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange on 11 May 2022, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the 13 May 2022 Announcement and adjusted for the effect of the Capital Reorganisation;

(c) a discount of approximately 93.6% to the closing price of HK$0.02 per Share (HK$2.00 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(d) a discount of approximately 92.4% to the average closing price of HK$0.017 per Share (HK$1.70 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(e) a discount of approximately 92.4% to the average closing price of HK$0.017 per Share (HK$1.70 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and

(f) a discount of approximately 94.3% to the audited consolidated net asset value per Share as at 31 December 2022 of approximately HK$0.0225 per Share (HK$2.25 per New Share assuming the completion of the Capital Reorganisation) and adjusted for the effect of the Capital Reorganisation.

The net subscription price, after deduction of relevant expenses, of approximately HK$136,000,000, is estimated to be approximately HK$0.1041 per Subscription Share.

Basis of determination of the Subscription Price

The following factors have been taken into account in determining the Subscription Price:

(a) Most of the assets of the Group are real estate projects which are unlikely to be liquidated in a short period of time, with a number of such projects in the PRC still undergoing construction. Most of those projects are financed by loans from third parties and are also subject to encumbrances. Having considered the challenging real estate market and the status of the various projects under construction, it was concluded that the value of the projects should not be a reference point in determining the value of the Company and the Subscription Price.

(b) At the same time, the Group had approximately HK$2.22 billion of loans and other claims outstanding and due as of 31 December 2022. The Petition was also filed against the Company. In light of the pressing need to resolve the liquidity issue of the Company, the Company commenced discussions with Profound Success with a view to gaining its support of a creditors scheme of arrangement. The Company was informed by Profound Success that it was willing to support a creditors scheme if it could receive in cash an amount equivalent to approximately 6% of its estimated Claim as at 31 December 2022 (being approximately HK$108.6 million) via the Scheme (the final amount to be received is subject to the terms of the Scheme). As Profound Success is the largest creditor of the Company, with its unsecured claim representing roughly 69% of the indebtedness of the Company, its support would mean that the creditors scheme is likely to obtain required approval threshold.

(c) On the other hand, the Subscriber indicated that since the Group was facing considerable difficulties in realising its real estate projects in the PRC (taking into account the current challenging real estate market of the PRC) and would take time in doing so, the Subscriber was of the view that in return for its investment, it would need to hold no less than 70% of the enlarged issued share capital of the Company.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber after considering, among others, the aforesaid factors and the need to gain the support of Profound Success for the creditors scheme to be successful and to confirm the required financing to support the creditors scheme before the hearing of the winding-up petition in Bermuda. The Supreme Court agreed to adjourn the hearing of the Petition to a later date on the basis that there were already funds lined up to finance a creditors scheme and that the creditors scheme has the support of the largest creditors.

In arriving at the Subscription Price, the Company and the Subscriber also made reference to the audited consolidated net asset value per Share as at 31 December 2021 of HK$0.1021, the effect of the Capital Reorganisation, the share price performance of the Company and the acceptability of the Creditors towards the terms of the Scheme.

Taking into account the above, the Directors and the Independent Board Committee consider that the Subscription Price is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

According to the Subscription Agreement, Completion will be subject to the fulfilment (and, where applicable, the waiver) of the following conditions precedent:

(a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions reasonably acceptable to both Parties) the listing of, and permission to deal in, the New Shares resulting from the Capital Reorganisation and the Subscription Shares, and such permission not having been subsequently revoked or withdrawn;

(b) the Whitewash Waiver having been granted by the Executive and the conditions (if any) attached thereto having been satisfied in full, and the Whitewash Waiver not having been subsequently revoked or withdrawn;

(c) resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder including the issue of the Subscription Shares having been duly passed by the Independent Shareholders in general meeting and all other consents and acts required under the Listing Rules and the Takeovers Code having been obtained and completed;

(d) resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder including the issue of the Subscription Shares having been duly passed by the Board;

(e) resolutions in relation to the approval of the Whitewash Waiver having been duly passed by the Independent Shareholders in general meeting;

(f) the Scheme having been sanctioned by the High Court;

(g) the Subscriber being reasonably satisfied with the results of its due diligence conducted on the Group;

(h) the Capital Reorganisation and the Change in Board Lot Size having become effective;

(i) the consolidated net asset value of the Company remaining at a level not less than HK$900,000,000;

(j) the original of a declaration from the directors of each of the operating subsidiaries (the "**Operating Subsidiaries**") of the Company as set out in the Subscription Agreement certifying that the management accounts made up to 30 June 2022 of the relevant Operating Subsidiary were prepared on the same basis as its latest audited accounts (if any) and reflect the state of affairs of the relevant Operating Subsidiary and of the results of its operations and its cashflows as at such date;

(k) the representations, warranties and undertakings made by the Company as set out in the Subscription Agreement remaining true, accurate and complete in all material respects and not misleading;

(l) the Petition having been dismissed;

(m) the disclosure letter to be signed by the Company in relation to the Subscription Agreement having been delivered by the Company to the Subscriber within ten (10) Business Days from the date of the Subscription Agreement (or such other date as the Parties may agree in writing);

(n) the Subscriber having entered into one or more placing agreement(s) with placing agent(s) pursuant to which independent third parties will be procured to acquire, simultaneously at Completion, from the Subscriber sufficient number of Subscription Shares for the purpose of ensuring continuous compliance by the Company with the requirement under Rule 8.08(1) of the Listing Rules immediately before and after Completion, such placing agreement(s) not having been terminated and all conditions precedent to completion of such placing agreement(s) as provided therein (save in respect of any condition precedent that requires the Subscription Agreement to have become unconditional) having been satisfied;

(o) resolution(s) in relation to the approval for the Group Reorganisation having been duly passed by the Independent Shareholders in general meeting; and

(p) the Group Reorganisation having been completed (save for the transfer of the shares of each of Vivalink, Gold Asset and Wise Think, so long as it is subject to enforcement actions with Receiver appointed).

Save for conditions precedent (g), (i), (j) and (k) which may be waived by the Subscriber at its sole and absolute discretion at any time at or before Completion by serving a written notice to the Company, none of the Parties may waive any of the conditions precedent.

If the conditions precedent are not satisfied (or, where applicable, waived) on or before the Completion Date (or in the case of conditions precedent (b), (g) and (n), on or before the Long Stop Date), the Subscription Agreement will be terminated automatically on the Long Stop Date.

As at the Latest Practicable Date, save for conditions precedent (d) and (m), none of the above conditions had been fulfilled.

Latest status of the Petition

Upon application by the Company for an adjournment of the winding-up hearing in respect of the Petition, after a number of hearings, at a hearing on 14 April 2023, the Supreme Court ordered that the hearing of the Petition be adjourned to 9:30 a.m. on Friday, 14 July 2023 (Bermuda time).

Provided that the Hong Kong Court sanctions the Scheme at the hearing on 26 June 2023 and the relevant resolutions are passed at the SGM on 13 July 2023, the Company will apply to the Supreme Court at the hearing on 14 July 2023 to dismiss the Petition on the Effective Date. After the Effective Date, the Supreme Court will pass a further order confirming for the Supreme Court's record the date on which the Petition had been dismissed pursuant to its order made at the hearing on 14 July 2023. The dismissal of the Petition, being condition precedent (l), will be satisfied on or before the Completion Date.

Completion

Subject to the conditions specified in the Subscription Agreement being fulfilled (or, where applicable, waived), Completion shall take place on the Long Stop Date or three (3) Business Days immediately after the date of fulfilment (or, where applicable, waiver) of all the conditions precedent to the Subscription Agreement, whichever is earlier (or such later date as may be agreed in writing between the Parties).

Loan under the Subscription Agreement

Pursuant to the Subscription Agreement, an interest-free loan (the "**Transaction Loan**") in the aggregate principal amount of HK$5,000,000 will be made available by the Subscriber to the Company for the sole purpose of payment and settlement of the costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions). Drawdowns of the Transaction Loan by the Company are subject to (i) the Company having delivered to the Subscriber irrevocable letters supporting the Scheme from the Creditors representing at least 75% in monetary value of the Claims; and (ii) the Company having published the September Announcement. Only costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions) incurred after the conditions for drawdown of the Transaction Loan have been satisfied may be applied and settled by the drawdown of the Transaction Loan.

The Transaction Loan shall be repaid in whole or in part by way of set-off of the Consideration payable upon Completion.

As at the Latest Practicable Date, the Transaction Loan provided for under the Subscription Agreement had not been drawn down by the Company.

Payment of the Consideration

The Consideration shall be payable by the Subscriber to the Company at Completion, provided that:

(i) the aggregate amount of the principal amount of the amount drawn (the "**Drawdown Amount**") on the Transaction Loan then outstanding shall be applied towards part payment of the Consideration on a dollar-to-dollar basis;

(ii) the Subscriber shall pay to the Company by transfer of clear and immediately available funds from the Consideration a sum equal to the costs and expenses (whether incurred before or after all conditions for drawdown of the Transaction Loan have been satisfied) in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions) not settled or paid with the Drawdown Amount then outstanding; and

(iii) subject to (i) to (ii) above, the balance of the Consideration shall be paid by the Subscriber by transfer of clear and immediately available funds to the Scheme as the Cash Consideration.

Application for Listing

Application will be be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Information on the Subscriber

The Subscriber is a sub-fund of CIS FUND OFC, an open-ended fund company with variable share capital incorporated in Hong Kong with an investment fund mandate to invest in listed and/or unlisted equity and/or debts or real estates or foreign currencies or commodities or insurance policies or funds, futures, options, derivatives of any assets or digital assets or other interests or assets. As at the Latest Practicable Date, the Subscriber has a total of 5,000 issued shares. The Subscriber does not have a general partner or director. Upon Completion, CIS SAM, being the investment manager of the Subscriber, will be in control of the voting rights attached to the Subscription Shares.

As at the Latest Practicable Date, the investors of the Subscriber were (a) Grateful Heart Inc. ("**Grateful Heart**"), who has invested the sum of HK$20,000,000, in return for 4,000 shares of the Subscriber, representing 80% of the total number of issued shares of the Subscriber; and (b) CIS Investments Limited ("**CIS Investments**"), who has acquired in aggregate 1,000 shares of the Subscriber, representing 20% of the total number of issued shares of the Subscriber, from Mr. Hong Kunsen, Mr. Lam Chi Kin Christopher and Mr. Huang Canjian, who were the investors of the Subscriber as at the date of the September Announcement for an aggregate consideration of HK$5,000,000. As such, Mr. Hong Kunsen, Mr. Lam Chi Kin Christopher and Mr. Huang Canjian no longer have any interest in the Subscriber. All such funds invested in the Subscriber by Grateful Heart and CIS Investments are in readily available funds, funded by the respective investor's own internal resources, and are not subject to any encumbrances.

At the meeting of the Creditors held on 19 May 2023, the resolution to approve the Scheme was duly passed. As such, pursuant to the fund subscription form dated 12 August 2022 given by Mr. Hong Kunsen to the Subscriber, on 25 May 2023, the Subscriber served a notice to make a drawdown on Mr. Hong Kunsen's further investment amount of HK$200,000,000 in order to satisfy the shortfall between the Consideration of HK$168,000,000 and the then amount of investment in the Subscriber of HK$5,000,000. On 29 May 2023, Mr. Hong Kunsen informed the Subscriber that he was unable to provide the further investment amount of HK$200,000,000 to the Subscriber and that he intended to sell his shares in the Subscriber. The Subscriber, upon learning about Mr. Hong Kunsen's situation, has promptly searched for new investors in order to satisfy the shortfall between the Consideration and the amount of investment in the Subscriber. As a result, Grateful Heart and CIS Investments, which are interested in investing in the Company because of their positive view regarding the Company's business operations and the property development industry in the PRC, have agreed to become the new investors of the Subscriber in the place of Mr. Hong Kunsen, Mr. Lam Chi Kin Christopher and Mr. Huang Canjian.

Pursuant to an irrevocable letter of undertaking given by Grateful Heart, Mr. Kenichi Yanase and Dr. Hiroshi Kaneko in favour of the Subscriber and CIS SAM dated 2 June 2023, Grateful Heart has agreed to invest a further sum of not less than HK$200,000,000 in the Subscriber in return for additional shares in the Subscriber, thereby increasing Grateful Heart's shareholding interest in the Subscriber after such investment is made, and has provided to the Subscriber a bank statement dated 27 May 2023 showing that financial resources of not less than HK$200,000,000 in a bank account in Hong Kong in the name of Grateful Heart, which is not subject to any form of encumbrance, for the purpose of satisfying the further investment sum. Grateful Heart has undertaken that such deposit shall only be utilised to satisfy call(s) of contribution issued by the Subscriber, which will be released to the Subscriber conditional on (a) the Specific Mandate having been obtained at the SGM for the allotment and issue of the Subscription Shares; and (b) the notice of call for contribution having been issued by the Subscriber to Grateful Heart for the purpose of settlement of the Consideration. If such conditions have not been satisfied on or before 31 August 2023 or other date as agreed by Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, the Subscriber and CIS SAM in writing, Grateful Heart's obligation of maintaining and releasing the further sum of investment shall be immediately discharged. The Subscriber intends to serve notice of call for contribution to

Grateful Heart upon satisfaction of condition (l) of the Subscription Agreement, being that the Petition having been dismissed. The part of further sum of investment as to HK$143,000,000 will be used to satisfy the shortfall between the Consideration of HK$168,000,000 and the current amount of investment in the Subscriber of HK$25,000,000. Pursuant to the irrevocable letter of undertaking dated 2 June 2023, Mr. Kenichi Yanase and Dr. Hiroshi Kaneko have also undertaken to (i) jointly and severally guarantee the due performance of Grateful Heart of its obligations under such letter of undertaking; and (ii) procure that Grateful Heart will cooperate and support the Subscriber to complete the Subscription.

Grateful Heart is an investment holding company incorporated in the BVI with limited liability and as at the Latest Practicable Date is held as to 70% by Mr. Kenichi Yanase and 30% by Dr. Hiroshi Kaneko. The sole director of Grateful Heart is Dr. Hiroshi Kaneko. Dr. Hiroshi Kaneko was introduced to CIS SAM in March 2023 through an intermediary for CIS SAM's account opening service and investment opportunities. In May 2023, the opportunity to invest in the Company was presented by CIS SAM to Mr. Kenichi Yanase through Dr. Hiroshi Kaneko and they decided to invest in the Company through Grateful Heart. Grateful Heart and CIS SAM and their respective beneficial owners are independent of the Company and its connected persons. As at the Latest Practicable Date, Grateful Heart and its beneficial owners are parties acting in concert with the Subscriber, CIS Investments, CIS SAM and CIS Group Limited.

Mr. Kenichi Yanase ("Mr. Yanase"), aged 57, has extensive experience in the field of banking, real estate and investment. Mr. Yanase is currently the chairman of Kyosei Bank Co., and is responsible for overseeing its daily operation and strategic planning. He has also been serving as its chief executive officer since January 2012.

Prior to joining Kyosei Bank Co., Mr. Yanase founded Toshisouken Invest-Bank Co.* (都市綜研インベストバンク株式会社) and has been serving as its chairman since October 2007, and is primarily responsible for new business development and operations, as well as overseeing the real estate business in general. Mr. Yanase also founded Toshisouken Invest-Fund Co.* (都市綜研インベストファンド株式会社) and has been serving as its chairman since April 2010, and is primarily responsible for the management and operation of the real estate fund. Mr. Yanase has been acting as the non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange, since 20 November 2021.

Mr. Yanase graduated from Kobe City Suma High School in March 1984.

Dr. Hiroshi Kaneko ("Dr. Kaneko"), aged 58, has extensive research experience in the field of environment, development and economic science in Japan, China and Northern America. He has been engaged in comprehensive utilisation of environmental friendly materials and international trade. He is currently a vice president and chief financial officer of Kyosei-Bank Co* (共生バンク株式会社) and is mainly responsible for overseeing the financial aspects of new business development.

Dr. Kaneko has received a Master of Engineering from Dalian University of Technology in 1989 and a doctoral degree in Engineering from the Department of the Advanced Interdisciplinary Studies from University of Tokyo in 1997.

Dr. Kaneko has been acting as the executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange, since 20 November 2021.

Save as disclosed above, as at the Latest Practicable Date, Dr. Kaneko had no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

CIS Investments is an investment holding company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date is a wholly owned subsidiary of CIS Group Limited. CIS Group Limited is an investment holding company with a number of Hong Kong incorporated subsidiaries (together with its subsidiaries, collectively referred to as the "**CIS Group**"), the first of which was incorporated in 2007, and which hold SFC, insurance authority and money lending licenses for the provision of funds, securities and insurance services in Hong Kong. The principal business of the CIS Group is the provision of wealth management services for mid to high-end clients and institutional clients in Hong Kong and the Asia-Pacific region and its core businesses are securities and asset management, equity and debt capital market, insurance and wealth management, capital and equity investment, money lending and immigration service. The ultimate controlling shareholder of CIS Investments is Ms. Kan King Yee Karen. The directors of CIS Investments are Mr. Chu Wai Leung and Mr. Chung Ho Wai Alan. CIS Investments and CIS SAM are both wholly owned subsidiaries of CIS Group Limited.

CIS SAM is the investment manager of the Subscriber, who became interested in the subscription of the Shares because of its previous experiences investing in companies with similar business for other funds under its management. CIS SAM will be in control of the voting rights attached to the Subscription Shares upon Completion. Neither Grateful Heart nor CIS Investments have any influence over CIS SAM in the exercise of voting rights attached to the Subscription Shares. The principal businesses of CIS SAM are dealing in securities, futures contracts, advising on securities and provision of fund management services. Other funds managed by CIS SAM include CIS Global Opportunities Fund SPC – Rental Yield Growth Fund SP. CIS SAM is also the investment manager of CIS FUND OFC, the umbrella fund of the Subscriber. CIS SAM is a direct wholly owned subsidiary of CIS Group Limited.

Each of the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) is an Independent Third Party. Immediately prior to the entering into of the Subscription Agreement, none of the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) had any interests in the Shares.

In the event of any further proposed change in an investor of the Subscriber, and the new investor is a connected person of the Company, the Company will comply with the relevant requirements of Chapter 14A of the Listing Rules in relation to the Subscription.

How the Subscriber was introduced to the Company

The Subscriber came to know the Company through a responsible officer (the "**CIS RO**") of CIS SAM, its investment manager.

In June 2019, the Company conducted a placing (the "**Note Placing**") of unconditional, unsubordinated and unsecured notes of an aggregate principal amount of up to HK$150,000,000 (the "**Notes**"). Run Investment Services Limited acted as the placing agent in relation to the Note Placing and CIS SAM acted as the sub-placing agent for Run Investment Services Limited.

In early May 2022, the primary person involved in handling the Note Placing for CIS SAM (the "**CIS Representative**"), having noticed the announcements of the Company in relation to the Petition (including the announcement of the Company dated 21 March 2022 and the subsequent update announcements of the Company in relation to the Petition) and in view of the maturity of the Notes on 11 July 2022, 15 July 2022 and 18 July 2022 respectively, contacted the primary person involved in handling the Note Placing for the Company (the "**Company Representative**") to enquire about whether the Company would be able to fully repay the outstanding principals of the Notes and the interests accrued thereon at maturity.

Upon receiving a reply in the negative from the Company Representative, the CIS Representative reached out to the CIS RO to enquire about whether, to his knowledge, there was any potential interest in investing in the Company. The CIS RO became interested upon hearing the CIS Representative's proposal and subsequently established the Subscriber for this purpose.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.

As at the Latest Practicable Date, the Company had substantial debts which were due and payable. Despite the Company having recorded a positive net assets value as of 31 December 2021 and 31 December 2022, most of the assets of the Company are real estate projects which are unlikely to be liquidated in a short period of time and hence the Company faces severe liquidity issues in settling the overdue (or matured) debts.

A detailed breakdown of the indebtedness of the Company as at 31 December 2022 is set out below:

	Estimated claims *(HK$'000)*	**Maturity Date**	**Aging**	**Estimated secured Claims** *(HK'000)*	**Estimated unsecured Claims** *(HK'000)*	**How the estimated unsecured Claims have been reflected in Appendix III to this circular**
Profound Success *(Note 1)*	1,809,225 *(Note 2)*	1. Tranche 1: due on 28 July 2021 2. Tranche 2: due on 5 September 2020	N/A	–	1,809,225	This amount is included under Proforma Consolidated Statement of Financial Position (Appendix III-7 – Note 2(a)) under "Borrowings due within one year" and "Trade and other payables and accruals" for the principal and interest portion respectively. The impact is therefore reflected in Appendix III-7 – Note 2(e).
Sure Valued *(Note 3)*	362,341	4 January 2022	N/A	362,341	–	–

	Estimated claims *(HK$'000)*	Maturity Date	Aging	Estimated secured Claims *(HK'000)*	Estimated unsecured Claims *(HK'000)*	How the estimated unsecured Claims have been reflected in Appendix III to this circular
Harbor Sure *(Note 4)*	71,484	Due on 25 March 2022	N/A	–	71,484	This amount represents borrowings of a Deconsolidated Subsidiary, Vivalink. As mentioned in Appendix III-13 – Note 2(c) second paragraph, the amount has already been derecognised in the Company's annual report for the year ended 31 December 2022 upon the deconsolidation of Vivalink Limited (Note 35(B) to the consolidated financial statements) on 1 January 2022. Therefore, it has no impact to the gain on the Group Reorganisation.
Corporate bonds	19,851	Principal: 1. HK$2,000,000 due on 16 July 2022 2. HK$1,000,000 due on 19 July 2022 3. HK$5,000,000 due on 12 July 2022 4. HK$10,000,000 due on 20 November 2024	Interest: 1. 180-365 days: HK$848,000 2. Over 365 days: HK$600,000 3. Interest accrual on 31 December 2022: approximately HK$403,000	–	19,851	This amount forms part of the "Discharge of claims owing by the Retained Group pursuant to the Group Reorganisation" in Appendix III-14 – Note 2(e).

	Estimated claims *(HK$'000)*	Maturity Date	Aging	Estimated secured Claims *(HK'000)*	Estimated unsecured Claims *(HK'000)*	How the estimated unsecured Claims have been reflected in Appendix III to this circular
Other borrowings	3,755	Repayable on demand	N/A	–	3,755	This amount forms part of the "Discharge of claims owing by the Retained Group pursuant to the Group Reorganisation" in Appendix III-14 – Note 2(e).
Payable – Professional fees	1,720	N/A	1. less than 180 days: approximately HK$675,000 2. 180-365 days: approximately HK$445,000 3. over 365 days: approximately HK$600,000	–	1,720	This amount forms part of the "Discharge of claims owing by the Retained Group pursuant to the Group Reorganisation" in Appendix III-14 – Note 2(e).
Employees' claims	1,956	N/A	less than 180 days	–	1,956	This amount forms part of the "Discharge of claims owing by the Retained Group pursuant to the Group Reorganisation" in Appendix III-14 – Note 2(e).

	Estimated claims *(HK$'000)*	Maturity Date	Aging	Estimated secured Claims *(HK'000)*	Estimated unsecured Claims *(HK'000)*	How the estimated unsecured Claims have been reflected in Appendix III to this circular
Amounts due to subsidiaries *(Note 5)*	516,818	N/A	over 365 days	–	516,818	These are intercompany balances which were eliminated in the Group's consolidated financial statements as at 31 December 2022. Therefore, it has no impact to the gain on the Group Reorganisation.
Estimated Total Claims	2,787,150			362,341	2,424,809	

Notes:

(1) The loan is for the development of property projects located in the PRC and Hong Kong. The Company acts as guarantor for the Group's borrowings under this loan.

(2) As at 31 December 2022, the estimated total Claim of Profound Success amounted to approximately HK$1,809,225,000. This total Claim can be in broad terms categorised into secured portion (or claim) and unsecured portion (or claim). For differentiation purpose, the secured claim represents the portion of the total claim which is covered by various security granted by the Group (comprising share charges and a second mortgage over certain units of a property project of the Group situated at No.6 La Salle Road, Kowloon, Hong Kong (the "**La Salle Property Units**")), the value of which is subject to valuation. Only the unsecured portion of the total claim (being calculated by subtracting the value of the security granted from the total claim) would be subject to the Scheme. Upon the Scheme becoming effective, the borrower of the loan granted by Profound Success, being a direct debtor, would still be indebted to Profound Success for the secured portion of claims and the security granted will remain as security for such portion. In essence, Profound Success will look to the Scheme for recouping the unsecured claim only.

(3) The Group received a notice of assignment dated 4 January 2022 from Hang Seng Bank assigning this loan and the security (the "**La Salle Security**") comprising the La Salle Property Units and the 100% of the issued shares of certain wholly-owned subsidiaries of the Company holding the La Salle Property Units to Sure Valued. The loan is for the financing of the property project situated at No.6 La Salle Road, Kowloon, Hong Kong. The Company acts as guarantor for the Group's borrowings under this loan.

This debt is secured and the approximate value of the La Salle Security is HK$371 million, which is sufficient to cover the whole debt. As at the Latest Practicable Date, the La Salle Security had been placed under receivership and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, most of the La Salle Property Units have been sold by the receiver and it is expected that the proceeds from the sale will be sufficient to settle the debt in full.

(4) The loan is for the financing of Hong Kong property projects. The Company acts as guarantor for the Group's borrowings under this loan.

(5) Under the Scheme, the Company and its subsidiaries will be treated as separate stand-alone entities and hence any subsidiary of the Company with amounts due from the Company will be considered as a Creditor. The amounts due to subsidiaries are a result of accumulated funds inflows and outflows between current accounts of the Company and the subsidiaries concerned. As the amounts due to subsidiaries, which are unsecured Claims, will be fully discharged upon the Scheme becoming effective, the Company will not be required to be repay such amounts to its subsidiaries following Completion.

(6) As at the Latest Practicable Date, the Company was not aware of other known insolvency or other creditor enforcement proceedings pending against the Company. The final amount of the Claims will be subject to adjudication.

Alternative fund raising methods considered by the Company

The Company has considered and attempted various ways of settling the Claims, the details of which are as follows:

(a) Settlement of the Claims using the cash balance of the Group

As at 30 June 2022, the Harbor Sure Borrowing amounted to approximately HK$71.5 million, which at first glance appears insignificant when compared with the Group's total assets of RMB9,744 million (equivalent to approximately HK$11,918 million) and unrestricted cash balance of RMB147.7 million (equivalent to approximately HK$180.6 million) as at 30 June 2022.

There are, however, two main reasons why the Group is unable to utilise its unrestricted cash balance to settle the debts of the Company.

Firstly, most of the cash balance of the Group has already been earmarked for use to sustain the existing projects of the Group.

Secondly and more importantly, as most of the projects of the Group are located in Changsha City in Hunan Province where real estate development activities at the moment are subject to extremely stringent government supervision in light of the issues concerning the operation of real estate development projects in the PRC, for instance the recent crisis arising in the wake of the lack of funds of numerous real estate developers to complete construction of real estate projects. As a means to prevent improper use of funds by property developers in Changsha, nearly all of the cash of the operating subsidiaries of the Group in Changsha are deposited with accounts supervised by the relevant PRC authorities (i.e. 長沙市住房和城鄉建設局 (Changsha Housing and Urban-Rural Development Bureau)) to ensure that such cash will first be used in connection with the real estate projects of the subsidiaries and would not be used for any other purposes before fully settling the construction cost of the real estate projects. Should one of such operating subsidiaries wish to utilise such cash for any payment, such subsidiary must apply for and obtain the prior written consent of the relevant departments of the district and municipal governments and representatives of the owners' group of the respective real estate project (業主代表) (each real estate project is governed by one of such bodies which comprises sub-district offices and local communities (街道辦事處和當地社區)). Coupled with the present requirement of the relevant governmental departments in Changsha that all real estate development projects must hold sufficient funds to guarantee completion of construction and to pay relevant expenses, it is unlikely that the relevant governmental departments will grant consent to such funds being used for purposes other than in relation to the relevant property development projects, let alone for the purpose settling offshore debts of parent companies. Further, in addition to the required consents as mentioned above, as most of the subsidiaries' real estate projects are financed through project financing obtained from local financiers such as banks and trust companies, the use of cash by the subsidiaries is in general subject to the prior consent of the financiers to ensure repayment of the loans advanced to the subsidiaries and payment of interest accrued. For uses of cash not relating to the property development concerned or repayment of the financing, it is hardly possible that the financiers will grant consent to such uses of the subsidiaries' cash. As demonstrated above, it is simply not possible for the Company to apply the cash balance to settle any part of the Claims. For the same reasons, the cash balance cannot practically be used as a funding source required under the Scheme to settle the Claims.

The Harbor Sure Borrowing only accounts for approximately 2.57% of the total Claims. Even if the Group is able to obtain the required consents to utilise the cash balance to settle the Harbor Sure Borrowing in full, the Group still has an insufficient cash balance to settle all the Claims of the other Creditors (which are all due and payable). For illustration purposes, the cash balance of the Group as at 30 June 2022 would only be able to settle approximately 6.49% of the total Claims (including those of Harbor Sure and Profound Success) if any part of the cash balance could be so applied.

As at the Latest Practicable Date, save for the Petition and the enforcement action carried out by Sure Valued as mentioned above, none of the other Creditors (including Profound Success) had taken action against the Company due to a winding-up petition having already been filed against the Company in the form of the Petition. Furthermore, Profound Success has not taken action against the Company for the additional reason that it has agreed in principle that the Company should pursue a debt restructuring by way of a scheme of arrangement. The Company believes that it is only due to such reasons that the other Creditors (including Profound Success) have not commenced their own winding up petitions against the Company. As such, even if the cash balance of the Group could be hypothetically used to settle the Harbor Sure Borrowing, settling the Harbor Sure Borrowing (although in practice it is impossible to use the cash balance to settle offshore debts before fully settling the construction cost and debts due to local financiers) using the cash balance of the Group does not represent a feasible solution to the Company's financial difficulties as settling the Harbor Sure Borrowing using such method would not resolve the Claims of other Creditors who would otherwise be entitled to take action against the Company in place of Harbor Sure.

(b) Settlement of the Claims by realising assets of the Group

The Company considers liquidating its assets for the purpose of settling its outstanding indebtedness to be unfeasible due to the difficulty in liquidating such assets within a short period of time.

Most of the assets of the Group are real estate projects situated in the PRC, in particular in or around Changsha City in Hunan Province. Due to the outbreak of the COVID-19 pandemic, the current economic conditions in the PRC and existing policies in relation to real estate adopted by local governments in the PRC, the Company expects that it would be extremely difficult (if not impossible) to liquidate the Group's real estate projects in the PRC within a short period of time, even if the real estate projects are attempted to be sold at a deep discount (which in fact is not possible because the selling price must be agreed by the project financiers which would normally not be willing to agree to selling at deep discount).

In Changsha in particular, the property market has become extremely saturated. At present, there are over 100 private real estate developers competing with one another to realise their assets, some at steep discounts. Although prices for real estate are already extremely low, demand for real estate from private real estate developers in Changsha City is virtually non-existent due to a combination of existing policies in relation to real estate adopted by the local government and low consumer confidence in the economy and housing market.

The local government in Changsha City has implemented policies which restrict the purchase of real estate by consumers unless the individual purchaser in question is a local registrant of the official household registration system of the PRC (hukou(戶口)), in addition to raising the mortgage requirements for consumers when purchasing property. Consumers have also become concerned about the increasing number of incidents where private real estate developers are unable to complete construction of real estate projects after payment of the purchase price, leading to market sentiment turning against real estate projects developed by private real estate developers. At present, instead of purchasing property from private real estate developers such as the Company, consumers overwhelmingly prefer to purchase real estate developed by state owned developers due to their perceived reliability and financial stability. Such factors have resulted in the supply of real estate from private real estate developers in Changsha City far outstripping demand, leading to extreme difficulties about the prospects of realising the assets of the Group within a short period of time, even if the Group is able to sell such assets at steep discounts (which it in fact cannot).

Even if the Group manages to realise its real estate projects, due to the restrictions placed on the cash balances of the PRC operating subsidiaries by, among others, the relevant governmental departments and financiers as mentioned above, the proceeds from the sale of the real estate projects would still be restricted from being utilised for settling the offshore debts of the Group.

Last but not least, the Petition necessitates the Company to act quickly and decisively to demonstrate to the Supreme Court that it has a concrete rescue proposal. The time between the date of receipt of the Petition in March to the hearing of the Company application for a two-month adjournment of the hearing of the winding-up petition in May 2022 (which the Company was successful in obtaining due to, in part, the Company having entered into a term sheet with a potential investor) was approximately two months. Due to the reasons stated above, it is very unlikely that a real estate project of the Group in the PRC could be sold and delivered within two months (including, among others, the time needed to identify potential purchasers, engage in negotiations and complete such sale (including approving of the relevant mortgage where required and delivery of the relevant property)). There was a strong likelihood that the Company would have already been wound up at the hearing in May 2022 had (i) the Company not been able to demonstrate that it had entered into a term sheet with a potential investor with a concrete plan to settle all the indebtedness of the Company through the Scheme; and (ii) Profound Success not agreed in principle to the Company's restructuring proposal by way of a scheme of arrangement.

As such, given the limited time faced by the Company as a result of the Petition, the extreme difficulty of liquidating the Group's real estate projects in the PRC and the inability to use the cash balances and sale proceeds even if such real estate projects could be sold of the PRC operating subsidiaries, the Company does not consider liquidation of the Group's assets a feasible (not even remotely) solution to the Company's financial difficulties.

(c) Other means of fund raising

The PRC real estate industry has, in recent years, experienced various cycles and the PRC government has implemented various measures with an aim to mitigate industry risks and to stabilise the development of the PRC real estate market. However, in implementing these policies, lots of financial institutions have taken cautious measures which, as a result, has led to a tightened capital environment for the Group.

(i) Equity and debt securities

A non-underwritten rights issue, open offer or placing will not guarantee sufficient funds to finance the Scheme. A fully-underwritten rights issue, open offer or placing requires a potential underwriter to guarantee that the funds sought by the Company will be raised. It is very unlikely that a potential underwriter negotiating at arm's length would agree to underwrite a rights issue, open offer or placing of the Company while a winding-up petition against the Company remains pending. As such, the Company considers raising funds by way of rights issue, open offer or placing unfeasible.

Similar to the issues faced by fund raising by means of rights issue, open offer or placing, as long as the winding-up petition against the Company remains pending, a reasonable investor will not subscribe for bonds issued by the Company due to the objective risk of default of the Company.

During the first and second quarters of 2022, the Company engaged in discussion with a few intermediaries for possible issuance of offshore notes. Despite the efforts of the Company, such discussions did not proceed past a preliminary stage as all these intermediaries did not consider the issuance of offshore notes to be practicable primarily due to the fact that the Company was subject to a winding-up petition against the Company.

(ii) Borrowings

During the first and second quarters of 2022, the Group engaged in discussion with its existing creditors for extension of the repayment of existing debts and for possible new funding. As with the discussions for the issuance of offshore notes, the discussions also did not proceed past a preliminary stage as all these existing creditors would not consider extending repayment of debts or grant new funding to the Group in the knowledge that a winding-up petition against the Company remained pending.

During the first quarter of 2022, the Company approached Mr. Pan, to enquire about whether he would be interested in subscribing for additional Shares or other securities of the Company and/or lending money to the Company. Mr. Pan expressed his willingness to do so. However, after revisiting his finances and considering the deteriorating economic environment, Mr. Pan ultimately informed the Company that he was unable to do so.

The Company has attempted and exhaustively considered various means of fund raising in order to alleviate the financial difficulties of the Company. Despite the efforts of the Company, it is the view of the Company from its experience acquired from its discussions with third parties for possible fund raising that as long as a winding-up petition against the Company remains pending, any attempt at equity financing, debt financing and borrowing by the Company will not be successful as no reasonable investor (save in the form of a rescue proposal by way of a scheme of arrangement) or underwriter would invest in the Company or finance the Company.

Furthermore, in the event an order is made by the Supreme Court for the winding up of the Company, the winding-up will be deemed to have commenced from the time of the presentation of the winding up petition. Any transactions or dispositions of the Company's assets made by a company during the period from the winding-up petition to the winding-up order are void unless validated by the Supreme Court. A validation order has not been obtained by the Company in respect of the Petition and as such no reasonable financier or investor (save in the form of a rescue proposal by way of a scheme of arrangement) would consider financing or investing in the Company.

In view of the impossibility of the Company in obtaining new funding and the Petition having been filed against the Company, the Company considered and still considers that a holistic restructuring is essential to turn around the business of the Company.

Hence, given (i) the time limit faced by the Company as a result of the Petition; (ii) the difficulty of settling the Claims using the cash balance of the Group and by realising assets of the Group; and (iii) the impracticability of other means of fund raising, the Company engaged in negotiations with other potential investors in pursuit of a concrete rescue proposal.

In April 2022, the Company received an indicative offer letter from a potential investor in which the potential investor indicated their interest in acting as the "white-knight" investor to facilitate the restructuring of the Company by way of subscription of new Shares and implementation of a creditors' scheme to settle all debts of the Company. However, the potential investor ultimately decided to withdraw from the restructuring due to the uncertainties caused by the Petition.

The Company continued its efforts to negotiate with various investors in pursuit of holistic restructuring terms, which eventually resulted in a non-legally binding term sheet being entered into on 11 May 2022 between Jet Power Investments Limited (an indirect wholly-owned subsidiary of CIS Group Limited, which is in turn the holding company of CIS SAM) and the Company, and the Subscription Agreement being entered into on 11 July 2022.

Taking into account the above, together with the uncertain economic environment and the fact that the Company would most likely have been wound up in May 2022 as a result of the Petition if the Company was unable to secure an investor, the Company considers that the Subscription Agreement is the only feasible and realistic fund raising option to resolve the financial difficulties of the Company in the limited time given to the Company.

Basis upon which the Directors considered that the proposed terms of the Subscription are fair and reasonable and in the best interest of the Company and the Shareholders as a whole

The Group has faced severe liquidity challenges and has been actively seeking to restructure its business and improve its financial position. The Directors are of the view that despite the various economic and COVID-19 related headwinds, investment of new money under the Subscription (i) will provide the Group with the necessary funding to repay its outstanding debts; and (ii) presents an opportunity to restore the Company's business.

The gross proceeds from the Subscription will be HK$168,000,000, being a sum equal to the Consideration. The net proceeds are estimated to be approximately HK$136,000,000 (after deducting the costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions)) and will, as nominated by the Company, be paid to the Scheme as the Cash Consideration to settle the debts and liabilities to the Creditors under the Scheme.

As disclosed above, the Subscription was the only feasible and realistic option to raise sufficient funds to satisfy the Cash Consideration, the net proceeds from which will be transferred to the Scheme to settle the debts and liabilities due to the Creditors. The Scheme depends on the successful implementation of the Subscription. In this sense, the Subscription is being conducted for the benefit of (i) the Company, which would otherwise be wound up if it is unable to settle the debts and liabilities due to the Creditors; and (ii) the Creditors as a whole (as opposed to for the benefit of any particular Creditor(s)), who would receive a significantly lower recovery rate if the Company was wound up than if paid out under the Scheme.

Based on (i) the reasons set out in the paragraph headed "Letter from the Board – The Subscription – Basis of determination of the Subscription Price" in this circular; and (ii) the reasons set out in the paragraph headed "Letter from the Board – Reasons for the Subscription and use of proceeds – Alternative fund raising methods considered by the Company" in this circular, and having considered that (i) all the unsecured Claims (which are estimated to be in the amount of approximately HK$2.4 billion) would be fully discharged against the Scheme Assets; and (ii) the Company would likely be wound up if the Proposed Restructuring fails and the winding up would significantly jeopardise the interest of the Company and the Shareholders as a whole, the Directors and the Independent Board Committee consider that the Subscription Agreement was entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUTURE INTENTION OF THE SUBSCRIBER AND CIS SAM REGARDING THE GROUP

The Subscriber and CIS SAM intend to continue the existing principal business of the Group immediately following Completion. The Subscriber and CIS SAM also intend to focus on the existing principal business of the Group in the future and explore potential avenues and strategies to achieve growth and expansion in the business operations of the Group. The Subscriber and CIS SAM have no intention to introduce any major changes to the existing business and operation of the Group (including any redeployment of the fixed assets of the Group) nor terminate the continued employment of the employees of the Group, other than in the ordinary and usual course of business. Save as disclosed below in the paragraph headed "Letter from the Board - Proposed Change to the Board Composition of the Company" in this circular, as at the Latest Practicable Date, the Subscriber and CIS SAM have no intention to change the senior management of the Group following Completion in order to avoid causing any material disruption to the business operations of the Group.

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprises two executive Directors, namely Mr. Pan Haoran and Mr. Li Jinrong and three independent non-executive Directors, namely Mr. Kong Tat Yee, Mr. Yau Pak Yue and Mr. Zheng Zhen.

All existing Directors are expected to resign from their positions as Directors on a date no earlier than such date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Subscriber and CIS SAM intend to nominate five new Directors, i.e. (a) Dr. Hiroshi Kaneko as new executive Director; (b) Mr. Chung Ho Wai, Alan ("**Mr. Chung**") as new non-executive Director, and (c) Mr. Huang Zhongquang ("**Mr. Huang**"), Ms. Tang Ying Sum ("**Ms. Tang**") and Ms. Ha Sze Wan ("**Ms. Ha**") as new independent non-executive Directors who are expected to be appointed to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code. It is also the intention of the Subscriber and CIS SAM that Dr. Hiroshi Kaneko will be appointed as the chief executive officer of the Company upon his appointment as Director.

The biographical information of Dr. Hiroshi Kaneko is set out in the paragraph headed "Letter from the Board – The Subscription – Information on the Subscriber" in this circular. The biographical information of the other candidates intended to be nominated by the Subscriber and CIS SAM as Directors is set out below:-

Mr. Chung Ho Wai Alan, aged 45, is currently the executive director of CIS SAM since January 2021 and has been its responsible officer for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities since December 2018.

Mr. Chung has over 15 years' experience in the area of financial and securities advisory. From April 2012 to February 2015, Mr. Chung was the vice president of HPI Financial Group Limited. From July 2009 to April 2012, he was a wealth management manager at Hongkong and Shanghai Banking Corporation Limited. Mr. Chung was a financial consultant at AXA Wealth Management (Hong Kong) Limited from April 2006 to February 2009.

Mr. Chung obtained a bachelor of arts in economics and statistics from the University of Western Ontario, Canada in April 2000.

Save as disclosed above, as at the Latest Practicable Date, Mr. Chung had no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Huang Zhongquan, aged 67, is currently the chairman of Asian Bridge Capital Limited. He was the director of global capital markets at China Everbright Securities International Limited from February 2011 to July 2015. From June 2004 to February 2011, he was the vice president of the equity department at Mizuho Securities Asia Limited. Mr. Huang was the director of China investment banking at Nomura International (HK) Limited from June 1995 to June 2004 and the vice president at Nomura Securities Shanghai Representative Office from February 1991 to June 1995. From April 1984 to February 1991, he was the general manager of foreign exchange trading room at Shanghai International Trust and Investment Corporation (China) and the business manager at Shanghai Instrument Industry Bureau Technology Introduction Office from July 1977 to April 1984.

Mr. Huang obtained a bachelor in political economy from Fudan University in February 1977. Mr. Huang is a member of the Hong Kong Independent Non-Executive Director Association since May 2018.

Save as disclosed above, as at the Latest Practicable Date, Mr. Huang had no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Ms. Tang Ying Sum, aged 29, is currently the assistant vice president at Kingkey Privilege Wealth Management Limited since October 2022, where she is responsible for providing brokerage, investment and insurance financial planning advice to clients. She was its chief wealth management advisor from February 2022 to September 2022 and its management trainee from August 2021 to January 2022.

Prior to that, Ms. Tang was the project manager at Isobar Hong Kong Limited from July 2020 to December 2020. Ms. Tang was the assistant account director, digital strategist team at Webs s'up Production Company Limited from March 2020 to July 2020 and its senior digital strategist from April 2019 to February 2020. From August 2018 to March 2019, Ms. Tang was engaged in a virtual reality-based entertainment project in Tianjin, the PRC, as a project and marketing planner. From January 2017 to July 2018, Ms. Tang was a public relations assistant at Benefit Cosmetics Hong Kong Limited.

Ms. Tang obtained her bachelor of arts with a major in marketing from the University of the West of England, the United Kingdom Bristol in June 2015.

Save as disclosed above, as at the Latest Practicable Date, Ms. Tang had no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Ms. Ha Sze Wan, aged 40, is the founder of Account & Secretarial Workshop Limited, which provides accounting, company secretarial and tax advisory services since November 2021. Prior to that, Ms. Ha was a financial controller at Luckcharm Inc. Limited from May 2020 to October 2021 and a financial analyst at Pop Free Technology (Holdings) Limited from April 2018 to July 2019. She was an accountant from March 2017 to October 2018 at two sizable accounting firms. From September 2013 to November 2015, Ms. Ha was a senior accountant at Tang Palace (China) Holdings Limited (stock code: 1181), the shares of which are listed on the main board of the Stock Exchange. Ms. Ha was an account executive at Orient Securities Limited (currently known as Orient Securities International Holdings Limited (stock code: 8001), the shares of which are listed on GEM of the Stock Exchange since 15 January 2014) from August 2010 to September 2012. From January 2009 to June 2010, she was an assistant manager of investment department at Sure Success Invest Holdings Limited.

Ms. Ha obtained her bachelor of arts with a major in accounting and finance from the University of Greenwich, the United Kingdom in November 2013 and is a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, as at the Latest Practicable Date, Ms. Ha had no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

The above proposed appointments and resignations will be made subject to the necessary procedure and approval of the Board and the review of the nomination committee of the Company and as and when appropriate in accordance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any changes to the composition of the Board in compliance with the Takeovers Code and the Listing Rules as and when appropriate.

PROPOSED CHANGE OF COMPANY NAME

Following Completion, the Subscriber and CIS SAM intend to change the English name of the Company from "Fullsun International Holdings Group Co., Limited" to "Japan Kyosei Group Company Limited" and the Company will no longer adopt a Chinese name (the "**Proposed Change of Company Name**"). A special general meeting will be convened and held for the purpose of considering and, if though fit, approving the special resolution in respect of the Proposed Change of Company Name. A separate circular will be issued by the Company in this regard pursuant to the Listing Rules.

As the Subscriber will become the controlling Shareholder following Completion, the Subscriber and CIS SAM consider that the Proposed Change of Company Name can provide the Company with a new corporate image and identity which will benefit the Company's future business development.

The Proposed Change of Company Name will not affect any of the rights of the Shareholders. Once the Proposed Change of Company Name becomes effective, any issue of share certificates of the Company thereafter will be in the new name of the Company and the Shares will be traded on the Stock Exchange under the new name of the Company. All existing share certificates of the Company in issue bearing the present name of the Company shall, after the Proposed Change of Company Name having become effective, continue to be evidence of title of such Shares and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates for new certificates bearing the new name of the Company.

FINANCIAL INFORMATION OF THE GROUP

Set out below is the summary of key consolidated financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022:

		For the year ended 31 December	
	2020	**2021**	**2022**
	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	1,390,525	370,195	679,441
Loss after taxation	1,393,076	487,363	732,838
Net asset value	1,453,146	948,346	227,334

The auditor's report issued by PKF Hong Kong Limited in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2022 contained a disclaimer of opinion relating to multiple uncertainties relating to going concern. As stated in the 2022 Annual Report, such disclaimer of opinion or conclusion comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

For detailed information on the basis of the disclaimer of opinion for the year ended 31 December 2022, please refer to the paragraph headed "Financial information of the Group" in Appendix I of this circular.

The Independent Financial Adviser has reviewed the principal terms of the Subscription and the Directors have confirmed that the Subscription is not conditional on the auditor's opinion on the Group's financial statements. However, the Directors and the Independent Financial Adviser considers that the disclaimer of opinion may affect the ability of the Group in raising capital from means other than the Subscription. The Independent Financial Adviser is of the view that the disclaimer of opinion does not have implication on the Subscription and the Subscription being able to provide capital to the Company under the disclaimer of opinion is in the interests of the Company and Independent Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Capital Reorganisation becoming effective; (iii) immediately after Completion (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription); and (iv) immediately after the Placing Down (assuming 305,675,857 New Shares are placed down):

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the Capital Reorganisation becoming effective**		**Immediately after Completion** *(Note 4)*		**Immediately after the Placing Down (assuming 305,675,857 New Shares are placed down)**	
	Number of Existing Shares	*Approximate %*	*Number of New Shares*	*Approximate %*	*Number of New Shares*	*Approximate %*	*Number of New Shares*	*Approximate %*
Tongda Enterprises Limited *(Note 1)*	6,416,140,000	56.45%	64,161,400	56.45%	64,161,400	4.52%	64,161,400	4.52%
The Subscriber and parties acting in concert with the Subscriber:								
(i) The Subscriber	-	-	-	-	1,307,019,402	92.00% *(Note 2)*	1,001,343,545	70.48%
(ii) Parties acting in concert with the Subscriber	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**1,307,019,402**	**92.00%**	**1,001,343,545**	**70.48%**
Public Shareholders	4,949,246,067	43.55%	49,492,460	43.55%	49,492,460	3.48%	355,168,317	25.00%
Total	**11,365,386,067**	**100.00%**	**113,653,860**	**100.00%**	**1,420,673,262**	**100.00%**	**1,420,673,262**	**100.00%**

Notes:

1. Tongda Enterprises Limited is a company incorporated in the BVI and is wholly owned by Mr. Pan, an executive Director.

2. The Subscriber has indicated to the Company its intention to take appropriate steps to restore sufficient public float of the Company. Please refer to the paragraph headed "Letter from the Board – Minimum Public Float" in this circular for further details.

3. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

4. For illustrative purpose only, as completion of the Placing Down will take place simultaneously with Completion.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any fund raising activities in the 12 months prior to the Latest Practicable Date.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the Company's total issued share capital must at all times be held by the public.

Immediately after the Capital Reorganisation becoming effective and upon Completion, the Subscriber will be interested in 1,307,019,402 New Shares, representing approximately 92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription).

The condition precedent to the Subscription Agreement as set out in sub-paragraph (n) in the paragraph headed "Letter from the Board – The Subscription – Conditions precedent" in this circular) is a mechanism built into the Subscription Agreement to ensure continuous compliance by the Company with the 25% minimum public float requirement under Rule 8.08(1) of the Listing Rules immediately before and after Completion.

Before the Company and the Subscriber may proceed to Completion, the Subscriber will have to enter into placing agreement(s) to place down not less than 305,675,857 New Shares, representing not less than approximately 21.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription), to placees who are Independent Third Parties and at the same time independent of, and not acting in concert with, the Subscriber and its beneficial owners. Completion of such placing agreement(s) will take place simultaneously with Completion, when the Company will, at the direction of the Subscriber, allot and issue such number of New Shares to the placees directly to facilitate the Placing Down. As such, the relevant number of Shares subject to the Placing Down will form part of the public float of the Company. Through the Placing Down to be conducted by the Subscriber of not less than 305,675,857 New Shares, at least 25% of the issued New Shares will be held by the public for the purpose of ensuring continuous compliance by the Company with the public float requirement under Rule 8.08(1) of the Listing Rules immediately before and after Completion.

Immediately after Completion and completion of the Placing Down, on the basis that not less than 305,675,857 New Shares are successfully placed down, the Subscriber will be interested in not more than 1,001,343,545 New Shares, representing approximately 70.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription).

THE SCHEME

Pursuant to the Scheme, the distribution to the Creditors with Admitted Claims will be made out of (i) first of all, the Cash Consideration, being a payment of cash in the amount equivalent to the net proceeds (after deducting the costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions)) from the Subscription, being not less than HK$136,000,000; and (ii) in addition, the shares in and assets of the Scheme Subsidiaries (to the extent recoverable by and available to the Scheme Administrators), which will be transferred to the SchemeCo by way of the Group Reorganisation. Such distribution (including the distribution of any Residual Value that the SchemeCo may receive) will be made in accordance with the terms of the Scheme.

Only unsecured Claims (or unsecured portion of Claims, such as the unsecured portions of the claims of Profound Success and Sure Valued) would be subject to the Scheme.

Please refer to the paragraph headed "Letter from the Board – Transfer of the Scheme Subsidiaries to the SchemeCo pursuant to the Scheme" in this circular for further details on the Group Reorganisation.

Distribution of Scheme Assets

The Scheme Assets transferred to the SchemeCo will be, after realisation if so required, paid into an interest bearing trust account controlled by the Scheme Administrators for the purposes of and for the benefit of those entitled under the Scheme and maintained by the Scheme Administrators and will be distributed to the Creditors with Admitted Claims on a pro-rata basis for their respective Admitted Claims in accordance with the terms of the Scheme, subject to the prior payment of Preferential Claims and Scheme Costs.

Upon the Scheme having become effective, all Creditors (including those abstaining from voting and those voting against the Scheme) will be taken as accepting the terms of the Scheme and all Creditors and their respective claims against the Company and the Co-Obligors together with all guarantees given by the Company (to the extent of those given by the Company which are unsecured only) and the Co-Obligors and all security over any asset of any Co-Obligor as of the Effective Date will be discharged and released in full as against the Company and the Co-Obligors on the Effective Date and the Creditors with Admitted Claims shall discharge and waive all their claims against the Company and the Co-Obligors, notwithstanding the fact that the Claims will not be settled in full monetary amount, and the SchemeCo, as established for the purpose of the Scheme, shall accept and assume an equivalent liability in place of the Company in respect of the Admitted Claims. Nevertheless, the Scheme will not affect, modify or vary any of the rights of any persons (including the Creditors with Admitted Claims) arising out of any guarantee and security given by, or over the assets of, any Scheme Subsidiary and any other person outside the Retained Group in their favour.

Upon the Scheme becoming effective, all persons or entities having given guarantee or security in respect of the Harbor Sure Borrowing, the Profound Success Borrowing and/or the Sure Valued Borrowing (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries remaining in the Retained Group) will execute deeds of waiver in favour of each and every member of the Retained Group which has given guarantee or security under the aforesaid borrowings. Following the execution of the aforesaid deeds of waiver and upon the Scheme becoming effective, none of the members of the Retained Group will owe any liability in respect of any of the aforesaid borrowings to such persons (or entities) outside the Retained Group for their contribution as co-obligor if any creditors of the aforesaid borrowings claim against such persons (or entities).

None of the Creditors has been a Shareholder during the Relevant Period.

As at the Latest Practicable Date, based on the available books and records of the Company, the estimated total amount of Claims against the Company was approximately HK$2.78 billion. This figure is indicative only and will be subject to final determination made by the Scheme Administrators and adjudication under the Scheme, if applicable.

Save for fees considered as costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement, the Company has no other liabilities that are not covered under the Scheme (except certain PRC subsidiaries of the Company still have outstanding borrowings of RMB1,674.5 million as at the Latest Practicable Date). Pursuant to the Subscription Agreement, such costs and expenses will be settled using the Consideration to be received from the Subscription and in the manner described under the paragraph headed "Letter from the Board – The Subscription – Payment of the Consideration" in this circular.

The resolution to approve the Scheme was duly passed at a meeting of the Creditors held on 19 May 2023 for the purpose of considering and, if thought fit, approving the Scheme.

The Court hearing for sanctioning the Scheme is scheduled to be heard at 10:00 a.m. on 26 June 2023.

The conditions precedent to the Scheme are as follows:

(i) the High Court having sanctioned the Scheme and a copy of the order of the High Court sanctioning of the Scheme is delivered to the Registrar of Companies in Hong Kong for registration;

(ii) all conditions precedent to the completion of the Subscription Agreement having been fulfilled or, where applicable, waived; and

(iii) all consents and approvals required for the transfer of the Scheme Subsidiaries to the SchemeCo having been obtained.

The Scheme will come into effect and be legally binding on the Company and the Creditors after the occurrence of the following:

(i) the Hong Kong Court having sanctioned the Scheme;

(ii) an office copy of an order of High Court sanctioning the Scheme is delivered to the Registrar of Companies in Hong Kong for registration upon all conditions precedent to the Scheme are fulfilled or waived; and

(iii) the Cash Consideration is received by the SchemeCo and the transfer of shares of the Scheme Subsidiaries (other than those subject to enforcement actions with Receivers appointed) is completed for the purpose of and for the benefit of those entitled under the Scheme within 30 days after the date of registration of the order of High Court sanctioning the Scheme with the Registrar of Companies in Hong Kong or such extended date as may be agreed by the Company with the Scheme Administrators.

The Scheme will only be proceeded with upon fulfilment or, where applicable, waiver of all conditions precedent to completion of the Subscription (other than the condition that the Group Reorganisation has been completed) and will take effect upon occurrence of the above (including completion of the Group Reorganisation).

TRANSFER OF THE SCHEME SUBSIDIARIES TO THE SCHEMECO PURSUANT TO THE SCHEME

Group Reorganisation

The Board proposes to effect the Group Reorganisation to the effect that the shares and assets of the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) will be transferred to the SchemeCo at nil consideration for the benefit of the Creditors.

None of the Creditors has been a Shareholder during the Relevant Period.

The completion of the Group Reorganisation is not subject to any conditions precedent as agreed between the Parties under the Subscription Agreement. However, the completion of the Group Reorganisation will only take place when all of the following have been fulfilled:

(a) the High Court has sanctioned the Scheme and a copy of the order of the High Court sanctioning the Scheme has been delivered to the Registrar of Companies in Hong Kong for registration;

(b) all conditions precedent to completion of the Subscription (other than the condition that the Group Reorganisation has been completed) have been fulfilled or, where applicable, waived; and

(c) all consents and approvals required for the transfer of the Scheme Subsidiaries to the SchemeCo have been obtained.

As at the Latest Practicable Date, none of the above had taken place.

Since (1) completion of the Subscription is conditional upon, among others, the completion of the Group Reorganisation and (2) the Group Reorganisation will only be proceeded with upon fulfilment or, where applicable, waiver of all conditions precedent to completion of the Subscription (other than the condition that the Group Reorganisation has been completed), the Subscription and the Group Reorganisation are inter-conditional in this sense.

Upon completion of the Group Reorganisation, the SchemeCo will (directly or indirectly) hold the Scheme Subsidiaries, and the Scheme Subsidiaries will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

As one of the conditions precedent to Completion, completion of the Group Reorganisation is expected to take place on or before the Long Stop Date.

Subject to the Scheme becoming effective, the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) (whether tangible or intangible) will be effectively under the control of the Scheme Administrators.

As soon as practicable after the Effective Date, the Scheme Administrators will take steps to put the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) into liquidation and/or to sell the equity interests of the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) and/or any of the assets of such Scheme Subsidiaries. Any Residual Value that the SchemeCo may receive shall be utilised for distribution in accordance with the terms of the Scheme. Any Residual Value in Vivalink, Gold Asset and Wise Think which may be returned to the Group by the Receivers or otherwise retained by the Group subsequent to the enforcement action taken by the Receivers will be assigned and/or transferred to the SchemeCo for the benefit of the Creditors.

Implementation of the Group Reorganisation and parties involved

Pursuant to the Scheme, the Target Shares (save for shares in Vivalink, so long as it is subject to enforcement action with Receivers appointed) will be transferred from Sunny Pavilion, a direct wholly-owned subsidiary of the Company, to the SchemeCo within 30 days after the date of registration with the Registrar of Companies in Hong Kong of a copy of the order of the High Court sanctioning the Scheme (or such extended date as may be agreed by the Company with the Scheme Administrators).

The SchemeCo had not been incorporated as at the Latest Practicable Date, and it is intended that the SchemeCo will be entirely held and controlled by the Scheme Administrators. The Scheme Administrators proposed to be appointed are Independent Third Parties and on such basis, each of the SchemeCo and its ultimate beneficial owners, being the Scheme Administrators, will be an Independent Third Party.

Assets to be transferred to the SchemeCo

The assets to be transferred to the SchemeCo pursuant to the Group Reorganisation comprise the Target Shares.

Upon completion of the Group Reorganisation but subject to the Scheme becoming effective, the Scheme Subsidiaries will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

Consideration

The Scheme Subsidiaries will be transferred to the SchemeCo at nil consideration.

As the Group Reorganisation forms part of the Scheme, the Directors consider that the transfer of the Target Shares at nil consideration under the Group Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on the Scheme Subsidiaries

The Scheme Subsidiaries comprises (i) each of Intelligent Lead, Vivalink and Giant Astute and their respective subsidiaries; and (ii) the 49% equity interest in Shanghai Fusheng held indirectly by Vivalink. The Scheme Subsidiaries are principally engaged in the development and sale of residential and commercial properties in the PRC and Hong Kong.

On 4 January 2022, Vivalink received a demand letter from Sure Valued following Vivalink's failure to comply with its payment obligation on the Sure Valued Borrowing, the outstanding amount of which amounted in total to approximately HK$371.25 million as at 4 January 2022. The Sure Valued Borrowing was secured by, among others, properties in Hong Kong held by Gold Asset and Wise Think and shares of Vivalink, Gold Asset and Wise Think pledged to Sure Valued (the "**Pledged Assets**").

On 20 January 2022, the Group was notified that the Receivers had been appointed by Sure Valued over the Pledged Assets. On 19 January 2022, the Receivers appointed directors to the board of directors of Gold Asset and Wise Think. In light of the appointment of directors to the board of directors of Gold Asset and Wise Think and the subsequent actions taken by the Receivers, the Directors considered that such actions provided indicative evidence of conditions of the Group ceasing to exercise control over Gold Asset and Wise Think as a consequence of the Group's default on the Sure Valued Borrowing. Accordingly, the Directors determined that the cessation of control and the resulting deconsolidation of Gold Asset and Wise Think began from 30 November 2021, being the date of default. The Directors having considered the actions taken by the Receivers on Vivalink including, among others, the appointment of a director to the board of directors of Vivalink, deemed the Group to be no longer in control of Vivalink and accordingly deconsolidated Vivalink effective from 1 January 2022.

The principal assets of the Scheme Subsidiaries consist of the Properties, the details of which are set out in the paragraph headed "Letter from the Board – Transfer of the Scheme Subsidiaries to the SchemeCo pursuant to the Scheme – Information on the properties held by the Scheme Subsidiaries" in this circular. The Properties are the same properties which are the subjects of the valuation report set out in Appendix V to this circular. Please refer to Appendix V to this circular for further details on the valuation report.

Corporate structure of the Group as at the Latest Practicable Date and upon completion of the Group Reorganisation

A simplified shareholding structure of the Group as at the Latest Practicable Date is set out in Appendix IX to this circular and a simplified shareholding structure of the Retained Group upon completion of the Group Reorganisation is set out in Appendix X to this circular.

Financial information of the Scheme Subsidiaries

Set out below is the summary of certain key financial information of the Scheme Subsidiaries for each of the three years ended 31 December 2020, 2021 and 2022:

(a) Total consolidated financial information of the Unrestricted Scheme Subsidiaries, on a combined basis

	For the year ended 31 December/ As at 31 December		
	2020	**2021**	**2022**
	(unaudited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	223,458	236,881	303,312
Loss after taxation	222,798	242,883	303,073
Net liabilities value	436,800	496,614	610,373

(b) ***Total consolidated financial information of the Deconsolidated Subsidiaries, on a combined basis***

	For the year ended 31 December/ As at 31 December		
	2020	**2021**	**2022**
	(unaudited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	202,784	195,657	133,693
Loss after taxation	202,784	195,657	133,693
Net liabilities	42,222	238,948	371,102

(c) ***Net liabilities of the Scheme Subsidiaries, on a combined basis***

	As at 31 December		
	2020	**2021**	**2022**
	(unaudited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Net liabilities	479,022	735,562	981,475

Note: The net liabilities of the Scheme Subsidiaries as set out in (c) above are merely arithmetic additions of the net liabilities of the Unrestricted Scheme Subsidiaries (as set out in (a) above) and the Deconsolidated Subsidiaries (as set out in (b) above) for each of the three years ended 31 December 2020, 2021 and 2022.

The above unaudited loss figures relating to the Scheme Subsidiaries are required to be reported on under Rule 10 of the Takeovers Code. Such unaudited financial information has been reviewed and reported on by the Independent Financial Adviser and PKF Hong Kong Limited, for the purpose of Rule 10 of the Takeovers Code. For details, please refer to "Letter from the Reporting Accountant on the loss figures relating to the Scheme Subsidiaries and on the gain expected to accrue to the Company as a result of the Group Reorganisation" issued by PKF Hong Kong Limited and "Letter from the Independent Financial Adviser on the loss figures relating to the Scheme Subsidiaries and on the gain expected to accrue to the Company as a result of the Group Reorganisation" issued by the Independent Financial Adviser as set out on pages VII-1 to VII-3 and pages VIII-1 to VIII-2 of this circular, respectively.

Information on the properties held by the Scheme Subsidiaries

Fullsun Emerald Bay

Fullsun Emerald Bay is located at Huanhu Road West, Meixi Lake, Yuelu Qu* (岳麓區梅溪湖環湖路西), Changsha City, Hunan Province, the PRC. It was developed as a residential and commercial complex. The gross floor area of the property is approximately 166,387 sq. m..

Fullsun • Qianlong Bay

Fullsun • Qianlong Bay is a completed property project located beside Zhongshan Port, Zhongshan Torch Development Zone* (中山市火炬開發區), Zhongshan City, Guangdong Province, the PRC. The project is developed for residential and commercial purpose. The gross floor area of the property is approximately 16,666.68 sq. m..

La Salle Residence

La Salle Residence is situated on the south side of Prince Edward Road West at its junction with La Salle Road, one of the prestigious addresses in Ho Man Tin District, Kowloon. The property was developed into a 17-storey residential block over one basement floor with a saleable area of approximately 32,817 square feet in total. It comprises 78 residential units offering a range of one and two-bedroom apartments and 1 duplex unit, club house facilities and car parking space. The saleable area of the property is approximately 3,949 square feet.

The above information on the Properties is also set out in the valuation report in Appendix V to this circular. Please refer to Appendix V to this circular for further details on the Properties.

Information on the remaining assets and operations of the Retained Group after the Group Reorganisation

The projects (the "**PRC Properties Projects**") that will be held for development/sales by the Retained Group after the Group Reorganisation are as follows:

	Project	Location	Approximate total gross floor area as at 31 December 2022 attributable to the Retained Group *(sq.m.)* *(Note)*	Status as at the Latest Practicable Date
1.	Qianlong Premier Mansion	Tianxin District, Changsha City	103	Completed and available for sale and delivery
2.	Qianlong Royal Family	Kaifu District, Changsha City	40,465	Completed and available for sale and delivery
3.	Qianglong International	Kaifu District, Changsha City	36,666	Completed and available for sale and delivery
4.	Xingru Jincheng	Tianxin District, Changsha City	100,663	Available for development
5.	Fullsun International Financial Centre	Yuelu District, Changsha City	98,727	Completed and available for sale and rental
6a.	Kela Meli Shanzhuang – Phase 1 and 2	Tianxin District, Changsha City	46,915	Completed and available for sale and delivery
6b.	Kela Meli Shanzhuang – Phase 3	Tianxin District, Changsha City	90,965	Completed and available for sale and delivery

	Project	Location	Approximate total gross floor area as at 31 December 2022 attributable to the Retained Group *(sq.m.)* *(Note)*	Status as at the Latest Practicable Date
7.	Yatai Muyun Road Project	Tianxin District, Changsha City	26,792	Completed and available for sale and delivery
8.	Ningde Fullsun Country Garden • Tianjiao	Jiaocheng District, Ningde City	196	Completed and available for sale and delivery
9.	Qiantan • Fusheng Qianlong Square	Pudong New District, Shanghai City	12,168	Completed and available for sale and delivery
10a.	Fuli Plaza – Phase 1	Jiaxing Port District, Jiaxing City	40,527	Completed and available for sale and delivery
10b.	Fuli Plaza – Phase 2	Jiaxing Port District, Jiaxing City	56,590	Available for development
		Total	550,777	

Note: Total gross floor area represents the sum of (i) gross floor area available for sale and total leasable gross floor area for completed properties, (ii) gross floor area for properties under development, (iii) gross floor area for properties held for future development and (iv) gross floor area of carparks, ancillary and others.

The Retained Group will own the following investment properties after the Group Reorganisation:

	Project	Location	Approximate total gross floor area as at 31 December 2022 attributable to the Retained Group (sq.m.)	Status as at the Latest Practicable Date
1.	Fullsun International Financial Centre	Yuelu District, Changsha City	45,705	71.43 sq.m. leased out
2.	Qianlong Gongguan	Minhou County, Fuzhou City	241	All leased out
		Total	45,946	

The total assets of the Retained Group will amount to RMB8,468,551,000, assuming the Group Reorganisation had completed on 31 December 2022. Such figure was derived from the published annual report of the Company for the year ended 31 December 2022 and adjusted to take into account the effects of the Group Reorganisation on the assumption that it had completed on 31 December 2022. Based on the above, the Directors are of the view that Retained Group has sufficient level of assets and operations of sufficient value under Rule 13.24(1) of the Listing Rules after the Group Reorganisation.

Information on the SchemeCo

As at the Latest Practicable Date, the SchemeCo had not been incorporated. The SchemeCo will be a special purpose vehicle to be incorporated in Hong Kong and will be entirely held and controlled by the Scheme Administrators to hold and dispose of the Cash Consideration and the Scheme Subsidiaries (directly or indirectly) pursuant to the terms of the Scheme.

Information on the Group

The Company is an investment holding company and the Group is principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.

Information on Sunny Pavilion

Sunny Pavilion, a company incorporated in the BVI with limited liability, is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Financial effect of the Group Reorganisation

It is expected that the Group will record a disposal gain of approximately RMB1,198,667,000 (equivalent to approximately HK$1,341,887,000) from the Group Reorganisation assuming the Group Reorganisation had completed on 31 December 2022.

The disposal gain of RMB1,198,667,000 was calculated as follows:

		RMB'000
(a)	Recognition of amounts due to the Retained Group from Scheme Subsidiaries	1,186,098
(b)	Claims of Creditors (other than (a) Claims by Creditors against the Company for its guarantee obligations under borrowings by the Scheme Subsidiaries; and (b) Claims by the Company's subsidiaries)	24,801
(c)	Total sum of the net liabilities of the Unrestricted Scheme Subsidiaries	39,067
	less	
(d)	Residual value in the Deconsolidated Subsidiaries entitled by the Retained Group	(22,714)
(e)	Transaction costs	(28,585)
		1,198,667

The Claims against the Company as at 31 December 2022 of approximately RMB2.2 billion (equivalent to approximately HK$2.49 billion) under the Scheme have been taken into account in the calculations of the disposal gain.

The above details of the gain expected to accrue to the Company as a result of the Group Reorganisation are required to be reported on under Rule 10 of the Takeovers Code. The gain expected to accrue to the Company as a result of the Group Reorganisation has been reviewed and reported on by the Independent Financial Adviser and PKF Hong Kong Limited, for the purpose of Rule 10 of the Takeovers Code. For details, please refer to "Letter from the Reporting Accountant on the loss figures relating to the Scheme Subsidiaries and on gain expected to accrue to the Company as a result of the Group Reorganisation" issued by PKF Hong Kong Limited and "Letter from the Independent Financial Adviser on the loss figures relating to the Scheme Subsidiaries and on the gain expected to accrue to the Company as a result of the Group Reorganisation" issued by the Independent Financial Adviser as set out on pages VII-1 to VII-3 and pages VIII-1 to VIII-2 of this circular, respectively.

As the Target Shares will be transferred to the SchemeCo pursuant to the Group Reorganisation at nil consideration, no proceeds will be derived by the Group from the Group Reorganisation.

Reasons for and benefits of the Group Reorganisation

Through the Group Reorganisation, the Residual Value will be made available for distribution to the Creditors in addition to the Cash Consideration, which the Directors believe would facilitate the implementation of the Scheme by increasing the support from the Creditors for the Scheme.

As soon as practicable after the date on which the Scheme becomes effective, the Scheme Administrators will take steps to put the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) into liquidation and/or to sell the equity interests of the Scheme Subsidiaries (other than Vivalink, Gold Asset and Wise Think, being the Scheme Subsidiaries subject to enforcement actions with Receivers appointed) and/or any of the assets of such Scheme Subsidiaries. Any Residual Value that the SchemeCo may receive shall be utilised for distribution in accordance with the terms of the Scheme.

As the support of the Creditors prior to the introduction of the Residual Value as part of the Scheme was relatively low, the Company and the Subscriber were aware that in order to securely obtain the Creditors' support for the Scheme, an improved outcome for the Creditors under the Scheme would be needed. The Group Reorganisation and the distribution of the Residual Value to the Creditors were, thus, included as part of the Scheme after negotiations between the Company and the Subscriber in order to improve the outcome for the Creditors to obtain their support for the Scheme.

The Company considers that it is unlikely that any Residual Value will ultimately be distributed to the Creditors given (i) the net liabilities position and the insolvent position of the group comprising the Scheme Subsidiaries as a whole, which, to further elaborate, means that the Scheme Subsidiaries are unable to legally distribute any dividends or other distribution ultimately to the SchemeCo as Residual Value for distributing to the Creditors pursuant to the Scheme; (ii) the difficulties in the settlement of the Claims using the cash balance of the Group and by realising assets of the Group, which equally apply to the Scheme Subsidiaries, as disclosed in the sections headed "Letter from the Board – Reasons for the Subscription and use of proceeds – Alternative fund raising methods considered by the Company – (a) Settlement of the Claims using the cash balance of the Group" and "Letter from the Board – Reasons for the Subscription and use of proceeds – Alternative fund raising methods considered by the Company – (b) Settlement of the Claims by realising assets of the Group" respectively in this circular; and (iii) the aggregate book value of the properties held by the Scheme Subsidiaries (which amounted to RMB2,820,028,000 as at 31 December 2022) exceeding the aggregate market value of such properties (which were valued at RMB1,672,130,000 as at 30 April 2023), which means that even if these properties are able to be sold at market value, the net liabilities position of the Scheme Subsidiaries would remain unaffected.

In view of the above, the Directors believe that considering the Group Reorganisation is to be conducted as part of the Scheme and in view of the fact that the Group Reorganisation would allow the Company to obtain additional support from the Creditors for the Scheme, the Group Reorganisation is fair and reasonable and is in the interests of the Shareholders as a whole.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Subscriber and CIS SAM have confirmed that as at the Latest Practicable Date, none of the Subscriber, CIS SAM nor any person acting in concert with any one of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited):

(a) owns or has control or direction over any voting right in or rights over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(b) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolutions approving the Restructuring Transactions and the Whitewash Waiver;

(c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Subscriber which might be material to the Restructuring Transactions and the Whitewash Waiver;

(d) save for the Subscription Agreement, has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Restructuring Transactions and the Whitewash Waiver; and

(e) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Subscriber and CIS SAM have confirmed that save for the Subscription Agreement, none of the Subscriber, CIS SAM nor any person acting in concert with any one of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company during the Relevant Period.

The Subscriber and CIS SAM have indicated to the Company that save for the Subscription Agreement and any arrangement to facilitate the Placing Down, none of the Subscriber, CIS SAM nor any person acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) has or will make any acquisitions or disposals of voting rights in the Company in the period between 13 May 2022, being the date of the 13 May 2022 Announcement, and Completion.

In addition, the Company, the Subscriber and CIS SAM confirm that as at the Latest Practicable Date, (i) apart from the Consideration, there was no other consideration, compensation or benefit in whatever form that has been or will be paid by the Subscriber, CIS SAM or parties in acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) to the Company in connection with the Restructuring Transactions and the Whitewash Waiver; (ii) apart from the Subscription Agreement and the Finder's Fee Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, CIS SAM or any party acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) on the one hand, and the Company on the other hand; and (iii) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Subscriber, CIS SAM or parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited); or (b) the Company, its subsidiaries or associated companies.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be obtained upon approval by the Independent Shareholders at the SGM.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscription will result in a theoretical dilution effect of approximately 86.09%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules.

Taking into account, in particular, (i) the considerable financial difficulties faced by the Company; (ii) the time constraint and pressure imposed upon the Company as a result of the Petition and the prospect of the Company being wound up if a concrete rescue proposal could not be demonstrated to the Supreme Court; (iii) the lack of feasible and realistic alternative fund raising methods available to the Company due to (a) the Company being unable to settle the Claims using the cash balance of the Group; (b) the difficulties faced by the Group in realising its assets due to unfavourable economic conditions and policy considerations in the PRC; and (c) the Company being unable to borrow or conduct equity and debt fund raising due to the existence of a winding-up petition against the Company; and (iv) the Subscription forming a crucial part of the rescue proposal of the Company from being wound up as a result of the Petition, the Directors are of the view that the Subscription falls squarely within the meaning of exceptional circumstances under Rule 7.27B of the Listing Rules, justifying the dilution to the Shareholders arising from the Subscription.

Pursuant to Note 2 to Rule 7.27B of the Listing Rules, the Company has consulted the Stock Exchange regarding the Subscription and the Stock Exchange agrees that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules and the Company can proceed with the Subscription.

According to Chapter 14 of the Listing Rules, the Group Reorganisation will constitute a disposal by the Company. As one or more of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Group Reorganisation (on an aggregated basis) exceeds 75%, the Group Reorganisation, when implemented, will on an aggregated basis constitute a very substantial disposal for the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) were not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after Completion, the Subscriber will be interested in 1,307,019,402 New Shares, representing approximately 92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription) and CIS SAM will be in control of the voting rights attached to the Subscription Shares. As such, the Subscriber and CIS SAM would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Subscriber and CIS SAM to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the SGM by way of poll and the Restructuring Transactions would be subject to the approval by more than 50% of the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it would, subject to approval by Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver. As it is a condition precedent to Completion in the Subscription Agreement that the Whitewash Waiver is granted by the Executive, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive and approved by the Independent Shareholders at the SGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. The Subscriber may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company did not believe that the Restructuring Transactions gave rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Restructuring Transactions do not comply with other applicable rules and regulations.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kong Tat Yee, Mr. Yau Pak Yue and Mr. Zheng Zhen, in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms of the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders only and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

Ample Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in accordance with the requirements under the Takeovers Code in respect of the Specific Mandate and the Whitewash Waiver and whether the terms thereof are fair and reasonable and as to voting. The Independent Board Committee has approved the appointment of the Independent Financial Adviser.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the Restructuring Transactions and the Whitewash Waiver. The following persons shall abstain from voting on the resolutions to approve the Restructuring Transactions and the Whitewash Waiver: (i) the Subscriber, CIS SAM and each of their associates; (ii) any parties acting in concert with the Subscriber and/or CIS SAM (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited); and (iii) the Shareholders who are involved in or interested in the Restructuring Transactions and/or the Whitewash Waiver (including Tongda Enterprises Limited and its ultimate beneficial owner, Mr. Pan). Tongda Enterprises Limited and Mr. Pan will abstain from voting at the SGM.

As at the Latest Practicable Date, the only party who is required to abstain from voting on the resolutions approving the Restructuring Transactions and the Whitewash Waiver and who is also interested in the Shares is Tongda Enterprises Limited, holding 56.45% of the issued Shares.

Any Shareholder with a material interest in the Restructuring Transactions and the Whitewash Waiver is required to abstain from voting on the resolutions to be proposed at the SGM. Save as disclosed above, none of the other Shareholders and their respective associates have to abstain from voting on any resolution(s) to be proposed at the SGM. As at the Latest Practicable Date, none of the Creditors is a Shareholder. In the event any Creditor becomes a Shareholder, the Company will comply with the requirements of the Takeovers Code and the Listing Rules.

A notice convening the SGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 13 July 2023 is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.fullsun.com.hk. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the company secretary of the Company, at Room 1811, 18/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or at any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

In accordance with the requirements of the Listing Rules, the resolutions to be put forward at the SGM will be voted on by the Shareholders by way of poll.

ENTITLEMENT TO ATTEND AND VOTE AT THE SGM

The register of members of the Company will be closed from Monday, 10 July 2023 to Thursday, 13 July 2023 (both dates inclusive) during which period no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Friday, 7 July 2023 shall be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 7 July 2023.

RECOMMENDATION

The Directors and the Independent Board Committee consider that the terms of the Restructuring Transactions, the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM as set out in the notice of SGM attached to this circular.

Completion of the Restructuring Transactions is subject to the fulfilment or waiver (as the case may be) of various conditions. Accordingly, the Restructuring Transactions may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out in this circular on pages 77 to 78, which contains its recommendations to the Independent Shareholders as to voting at the SGM. The letter from the Independent Financial Adviser is set out on pages 79 to 116 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate and the Whitewash Waiver.

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

Yours faithfully
On behalf of the Board
Fullsun International Holdings Group Co., Limited
Pan Haoran
Executive Director and Chief Executive Officer

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

福晟國際
FULLSUN

FULLSUN INTERNATIONAL HOLDINGS GROUP CO., LIMITED
福晟國際控股集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00627)

23 June 2023

To the Independent Shareholders

Dear Sir or Madam

(1) CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
(3) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(4) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 23 June 2023 (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 the Independent Shareholders as to whether the terms of the Specific Mandate and the Whitewash Waiver are fair and reasonable and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Ample Capital has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages 79 to 116 of the Circular; (ii) the letter from the Board as set out on pages 16 to 76 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Specific Mandate and the Whitewash Waiver are on normal commercial terms, in the interests of the Company and the Independent Shareholders as a whole, and their terms are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee
Fullsun International Holdings Group Co., Limited

Mr. Kong Tat Yee	**Mr. Yau Pak Yue**	**Mr. Zheng Zhen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from the Independent Financial Adviser, Ample Capital Limited, to the Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

AmCap
Ample Capital Limited
豐盛融資有限公司

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

23 June 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

(1) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate and the Whitewash Waiver and whether the terms thereof are fair and reasonable and as to voting, details of which are set out in the LETTER FROM THE BOARD (the "**Letter from the Board**") contained in the circular of Fullsun International Holdings Group Co., Limited (the "**Circular**") to the Shareholders dated 23 June 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the September Announcement and the Letter from the Board. On 11 July 2022 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the conditional Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,307,019,402 Subscription Shares at the Consideration of HK$168,000,000, which represents a subscription price per Subscription Share of approximately HK$0.1285. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be obtained upon approval by the Independent Shareholders at the SGM.

With reference to the Letter from the Board, as at the Latest Practicable Date, the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) were not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and upon Completion, the Subscriber will be interested in 1,307,019,402 New Shares, representing approximately 92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription) and CIS SAM will be in control of the voting rights attached to the Subscription Shares. As such, the Subscriber and CIS SAM would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Subscriber and CIS SAM to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the SGM by way of poll and the Restructuring Transactions would be subject to the approval by more than 50% of the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it would, subject to approval by Independent Shareholders at the SGM by way of poll, grant the Whitewash Waiver. As it is a condition precedent to Completion in the Subscription Agreement that the Whitewash Waiver is granted by the Executive, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive and approved by the Independent Shareholders at the SGM.

An Independent Board Committee, comprising all non-executive Directors, namely Mr. Kong Tat Yee, Mr. Yau Pak Yue and Mr. Zheng Zhen, in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders only and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Ample Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

Aside from our engagement as the Independent Financial Adviser, we have not provided any other services to the Group or the Subscriber, CIS SAM and parties acting in concert with any of them in the last two years prior to the Latest Practicable Date. We are independent from, and are not associated with the Company, the Subscriber, CIS SAM, or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder, no arrangement exists whereby we will receive any fees or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as relevant to our independence. As such, we are considered eligible to give independent advice pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

BASIS OF ADVICE

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Group.

Your attention is drawn to the responsibility statements as set out in the paragraph headed "1. Responsibility statement" under the section headed "Appendix VI General information" in this Circular. 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.

The Directors have declared in a responsibility statement set out in the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than the information relating to the Subscriber, CIS SAM and parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the directors of CIS FUND OFC, the umbrella fund of the Subscriber, the directors of CIS SAM and the directors of CIS Group Limited, being the parent company of CIS SAM) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of CIS FUND OFC, the umbrella fund of the Subscriber, the directors of CIS SAM and the directors of CIS Group Limited, being the parent company of CIS SAM, jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also assumed that the information as contained or referred to in the Circular and the representations made by the Directors were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Group. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Subscriber, being the counterparty of the Subscription Agreement or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Specific Mandate and the Whitewash Waiver.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Shareholders will be notified of any material changes to such statements, information, opinions and/or representation as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

A. BACKGROUND INFORMATION

1. Information on the Group

The Company is an investment holding company and the Group is principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.

a) *Financial results of the Group*

Set out below are extracts of financial information of the Group for each of the years ended 31 December 2020 ("**FY2020**"), 31 December 2021 ("**FY2021**") and 31 December 2022 ("**FY2022**") as extracted from the annual report of the Company for the year ended 31 December 2021 ("**2021 Annual Report**") and 31 December 2022 ("**2022 Annual Report**"):

	FY2022	**FY2021**	**FY2020**
	RMB'000	*RMB'000*	*RMB'000*
	Audited	Audited	Audited
Revenue	1,793,763	2,200,196	1,164,653
Cost of sales	(2,093,759)	(1,955,155)	(1,375,595)
Gross profit/(loss)	(299,996)	245,041	(210,942)
Gross profit/(loss) margin	(16.7)%	11.1%	(18.1)%
Finance cost	(136,954)	(122,136)	(219,889)
Loss before tax and interest for the year	(542,487)	(248,059)	(1,170,636)
Loss before tax for the year	(679,441)	(370,195)	(1,390,525)
Loss for the year	(732,838)	(487,363)	(1,393,076)

	FY2022	**FY2021**	**FY2020**
	RMB'000	*RMB'000*	*RMB'000*
	Audited	Audited	Audited
Total asset	8,448,147	9,967,171	12,588,148
Total liability	8,220,813	9,018,825	11,135,002
Net asset	227,334	948,346	1,453,146
Current asset	7,616,001	9,086,867	11,502,663
Current liabilities	7,916,622	8,698,668	10,818,320
Net current asset/ (liabilities)	(300,621)	388,199	684,343

FY2021 vs FY2020

The Group's revenue increase from approximately RMB1,164.7 million for FY2020 to approximately RMB2,200.0 million for FY2021 was mainly due to the increase in revenue from sales of several properties delivered to customers during the year. The revenue from sales of properties for FY2021 was mainly contributed by projects of Qianlong International, Ningde Fullsun Country Garden • Tianjiao, Xingru Jincheng, Kela Meili Shanzhuang and Fuli Plaza in the Mainland China and La Salle Residence in Hong Kong.

The Group's gross margin increased from gross loss margin of 18.1% for FY2020 to gross profit margin of 11.1% for FY2021, mainly attributable to the increase in revenue from sales of properties with higher gross profit margin for FY2021. The Group recorded a net loss of approximately RMB487.4 million for FY2021 as compared to a net loss of approximately RMB1,393.1 million for FY2020 which was mainly attributable to the increase in revenue during the year.

The Group's financial position remained tight with net current asset and net asset decreased from approximately RMB684.3 million and approximately RMB1,453.1 million, respectively, as at 31 December 2020 to approximately RMB388.2 million and approximately RMB948.3 million, respectively, as at 31 December 2021. The decrease in net asset was mainly due to decrease in properties under development/ properties for sale and decrease in assets of disposal group classified as held for sale. As at 31 December 2021, the Group had total bank and other borrowings of approximately RMB3,017.4 million. As at 31 December 2021, the Group's total current assets amounted to approximately RMB9,086.9 million of which bank balances and cash amounted to approximately RMB277.2 million. Its net gearing ratio calculated as total borrowings including the debt component of the convertible bonds and less of amount of bank balances and cash and restricted bank deposits divided by total equity of the Group deteriorated from 215.0% as at 31 December 2020 to 268.1% as at 31 December 2021 and the Group recorded negative interest rate coverage ratio for FY2020 and FY2021.

As stated in the Letter from the Board, the Group has faced severe liquidity challenges and has been actively seeking to restructure its business and improve its financial position. According to the 2021 Annual Report, the Group was unable to repay borrowings and interest payables from several bank and financial institutions according to the repayment schedule with total principal amounts of RMB2,395 million and related interest payables of RMB307 million ("**Default Events**"). As a result, the entire outstanding principal and interest payables of these borrowings of RMB2,702 million, would be immediately repayable if requested by the bank and financial institutions. The Default Events triggered cross-defaults of other borrowings of the Group with aggregated principal amounts of HK$357 million and related interest payables of HK$38 million as at 31 December 2021.

FY2022 vs FY2021

The Group's revenue decreased from approximately RMB2,200.2 million in FY2021 to approximately RMB1,793.8 million in FY2022 was mainly due to the weakened demand during FY2022. The overall gross profit margin decreased from 11.1% for FY2021 to gross loss margin of 16.7% for FY2022 which was mainly due to properties with lower margin and serious outbreak of the pandemic in the PRC delivered during the FY2022.

The Group recorded a net loss of approximately RMB732.8 million for FY2022 as compared to net loss of approximately RMB487.4 million for FY2021 which was mainly attributable to the gross loss of approximately RMB300.0 million recorded in FY2022 as compared to gross profit of approximately RMB245.0 million in FY2021 and net exchange loss of RMB83.2 million for FY2022.

The Group's financial position remained tight with net current asset and net asset decreased further from approximately RMB388.2 million and approximately RMB948.3 million, respectively, as at 31 December 2021 to net current liability of approximately RMB300.6 million and net asset of approximately RMB227.3 million, respectively, as at 31 December 2022. The decrease in net asset was mainly due to decrease in properties under development/ properties for sale from RMB7,054.4 million to RMB 5,901.3 million. As at 31 December 2022, the Group had total bank and other borrowings of approximately RMB2,704.1 million. As at 31 December 2022, the Group's total current assets amounted to RMB7,616.0 million of which bank balances and cash amounted to approximately RMB183.4 million. Its net gearing ratio deteriorated further from approximately 268.1% as at 31 December 2021 to 1,104.2% as at 31 December 2022 and the Group recorded negative interest rate coverage ratio for FY2021 and FY2022.

As at 31 December 2022, referring to the Defaulted Events, the Group was unable to repay borrowings and interest payables from several lenders according to the repayment schedule with total principal amounts of approximately RMB2,638 million and related interest payables of approximately RMB1,200 million (in aggregate "**Defaulted Borrowings**"). As a result, the entire outstanding principal and interest payables of the Defaulted Borrowings of approximately RMB3,838 million would be immediately repayable if requested by the respective lenders. Other than these Defaulted Borrowings, other borrowings with total principal amounts of approximately RMB57 million and related interest payables of approximately RMB12 million are also repayable within one year or on demand. Furthermore, the Group provided financial guarantee in respect of borrowings of a deconsolidated subsidiary, Vivalink for outstanding sum of principals and interest payables of approximately RMB203 million and approximately RMB27 million to lenders respectively.

Events After FY2022 Reporting Period

According to 2022 Annual Report and Company's announcement dated 12 February 2023, Hunan Xingrucheng Real Estate Development Co., Ltd.* (湖南興汝城房地產開發有限公司) ("**Hunan Xingru**"), a non-wholly owned indirect subsidiary of the Group, received a civil judgment letter issued by Changsha City Intermediate People's Court (the "**Court**"), whereby the Court accepted the application of several creditors (the "**Hunan Xingru Creditors**") for the winding-up of Hunan

Xingru on the ground that Hunan Xingru was unable to repay various debts owing from it to Hunan Xingru Creditors. The judgment took effect on 17 January 2023. As at 31 December 2022, the net assets value of Hunan Xingru was RMB406,322,000. Upon completion of the winding-up procedures, the Group will cease to recognise Hunan Xingru as its subsidiary.

Furthermore, according to the 2022 Annual Report and Company's announcement dated 23 March 2023, the Group received an order from the High Court on 23 March 2023, among others, that the Scheme Meeting of the Scheme Creditors be convened to be held on 19 May 2023 for the purpose of considering and, if thought fit, approving (with or without modification or condition approved and imposed by the High Court), the Scheme proposed to be made between the Company and the Scheme Creditors pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of the Hong Kong Special Administrative Region).

Disclaimer of Opinion for FY2022

According to Note 3 to Rule 2 of the Takeovers Code, we would like to draw your attention that the auditors has issued disclaimer of opinion ("**Disclaimer**") or conclusion on the consolidated financial statements of the Group for the year ended 31 December 2022. As stated in the 2022 Annual Report, such disclaimer of opinion or conclusion comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

For detailed information on the basis of disclaimer for FY2021 and FY2022, relevant financial year or period and action taken or to be taken, please refer to the paragraph headed "Disclaimer of Opinion" in Appendix I to the Circular.

With reference to the 2022 Annual Report, the Group's consolidated financial statements were prepared on a going concern basis, the validity of which is dependent upon outcomes of a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are subject to multiple uncertainties. As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, the auditors of the Company disclaimed their opinion in respect of the material uncertainty relating to the going concern basis.

We have reviewed the principal terms of the Subscription and the Directors confirmed that the Subscription is not conditional on the auditor's opinion on the Group's financial statements. However, the Directors consider, and we concur, that the Disclaimer may affect the ability of the Group in raising capital from means other than Subscription. As such, we are of the view that the Disclaimer does not have implication on the Subscription and the Subscription being able to provide capital to the Company under the Disclaimer is in the interests of the Company and Independent Shareholders as a whole.

b) *Future prospects*

China's property sector has slowed sharply in the past year as a result of a government clampdown on excessive borrowing by developers, and a COVID-19-induced economic slump. It also has been a challenging year for the PRC property sector in 2022 as it experienced consumer boycott of mortgage payments and a debt crisis induced by property developers' defaults on bond payments. According to Bloomberg news[1], the PRC real estate industry has recorded decline in value of home sales and average price of new homes in 2022. With the aim to defuse the property crisis and boosting the real estate market, the PRC government has launched various initiatives including a 16-Point Plan, cutting interest rates, urging major banks to extend 1 trillion yuan (US$140 billion) of financing in the final months of the year, and offering special loans through policy banks to ensure property projects are delivered. The PRC government's measures indicated it has taken steps to reverse the decline and is expected to benefit the property sector.

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1 *Bloomberg News Link 1:*
https://www.bloomberg.com/news/articles/2022-09-16/china-s-home-prices-fall-for-one-year-straight-as-crisis-deepens
Bloomberg News Link 2:
https://www.bloomberg.com/news/articles/2022-11-13/china-plans-property-rescue-as-xi-surprises-with-policy-shifts

Having considered that, the PRC government's measures to improve the outlook of the property sector in the PRC, the PRC government policy adjustments, which aim at supporting the principle of "houses are for living in, not for speculation" and the goal of "stablising land prices, housing prices, and expectations" will remain unchanged, and with the lift of China's COVID-19 restrictions, we are of the view that, China's property sector will have positive development as compared to the past 2 years under the COVID-19 pandemic. As noted from the management of the Group, the Group intended to continue to focus on developing its core business. It will continuously explore projects that hold the potential for business expansion in the industry. Accordingly, we are of the view that it is in the interest of the Company and the Independent Shareholders as a whole for the Company to continue its development in the PRC property sector.

2. Information on the Subscriber

As disclosed in the Letter from the Board, the Subscriber is a sub-fund of CIS FUND OFC, an open-ended fund company with variable share capital incorporated in Hong Kong with an investment fund mandate to invest in listed and/or unlisted equity and/or debts or real estates or foreign currencies or commodities or insurance policies or funds, futures, options, derivatives of any assets or digital assets or other interests or assets. As at the Latest Practicable Date, the Subscriber has a total of 5,000 issued shares. The Subscriber does not have a general partner or director. Upon Completion, CIS SAM, being the investment manager of the Subscriber, will be in control of the voting rights attached to the Subscription Shares.

As at the Latest Practicable Date, the investors of the Subscriber were (a) Grateful Heart Inc., who has invested the sum of HK$20,000,000, in return for 4,000 shares of the Subscriber, representing 80% of the total number of issued shares of the Subscriber; and (b) CIS Investments Limited, who has acquired in aggregate 1,000 shares of the Subscriber, representing 20% of the total number of issued shares of the Subscriber, from Mr. Hong Kunsen, Mr. Lam Chi Kin Christopher and Mr. Huang Canjian, who were the investors of the Subscriber as at 13 September 2022, being the date of the announcement of the Company in relation to, among other things, the Restructuring Transactions and the Whitewash Waiver for an aggregate consideration of HK$5,000,000. As such, Mr. Hong Kunsen, Mr. Lam Chi Kin Christopher and Mr. Huang Canjian no longer have any interest in the Subscriber. All such funds invested in the Subscriber by Grateful Heart and CIS Investments are in readily available funds, funded by the respective investor's own internal resources, and are not subject to any encumbrances.

Grateful Heart is an investment holding company incorporated in the BVI with limited liability and as at the Latest Practicable Date is held as to 70% by Mr. Kenichi Yanase and 30% by Dr. Hiroshi Kaneko.

Mr. Kenichi Yanase ("**Mr. Yanase**"), aged 57, has extensive experience in the field of banking, real estate and investment. Mr. Yanase is currently the chairman of Kyosei Bank Co., and is responsible for overseeing its daily operation and strategic planning. He has also been serving as its chief executive officer since January 2012.

Prior to joining Kyosei Bank Co., Mr. Yanase founded Toshisouken Invest-Bank Co.* (都市綜研インベストバンク株式会社) and has been serving as its chairman since October 2007, and is primarily responsible for new business development and operations, as well as overseeing the real estate business in general. Mr. Yanase also founded Toshisouken Invest-Fund Co.* (都市綜研インベストファンド株式会社) and has been serving as its chairman since April 2010, and is primarily responsible for the management and operation of the real estate fund. Mr. Yanase has been acting as the non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange, since 20 November 2021.

Mr. Yanase graduated from Kobe City Suma High School in March 1984.

Dr. Hiroshi Kaneko ("**Dr. Kaneko**"), aged 58, has extensive research experience in the field of environment, development and economic science in Japan, China and Northern America. He has been engaged in comprehensive utilisation of environmental friendly materials and international trade. He is currently a vice president and chief financial officer of Kyosei-Bank Co* (共生バンク株式会社) and is mainly responsible for overseeing the financial aspects of new business development.

Dr. Kaneko has received a Master of Engineering from Dalian University of Technology in 1989 and a doctoral degree in Engineering from the Department of the Advanced Interdisciplinary Studies from University of Tokyo in 1997.

Dr. Kaneko has been acting as the executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange, since 20 November 2021.

CIS Investments is an investment holding company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date is a wholly owned subsidiary of CIS Group Limited. CIS Group Limited is an investment holding company with a number of Hong Kong incorporated subsidiaries (together with its subsidiaries, collectively referred to as the "**CIS Group**"), the first of which was incorporated in 2007, and which hold SFC, insurance authority and money lending licenses for the provision of funds, securities and insurance services in Hong Kong. The principal business of the CIS Group is the provision of wealth management services for mid to high-end clients and institutional clients in Hong Kong and the Asia-Pacific region and its core businesses are securities and asset management, equity and debt capital market, insurance and wealth management, capital and equity investment, money lending and immigration service. The ultimate controlling shareholder of CIS Investments is Ms. Kan King Yee Karen. The directors of CIS Investments are Mr. Chu Wai Leung and Mr. Chung Ho Wai Alan. CIS Investments and CIS SAM are both wholly owned subsidiaries of CIS Group Limited.

Grateful Heart and CIS Investments are interested in investing in the Company through the Subscriber because of their positive view regarding the Company's business operations and the property development industry in the PRC.

CIS SAM is the investment manager of the Subscriber, who became interested in the subscription of the Shares because of its previous experiences investing in companies with similar business for other funds under its management. CIS SAM will be in control of the voting rights attached to the Subscription Shares upon Completion. Neither Grateful Heart nor CIS Investments have any influence over CIS SAM in the exercise of voting rights attached to the Subscription Shares. The principal businesses of CIS SAM are dealing in securities, futures contracts, advising on securities and provision of fund management services. Other funds managed by CIS SAM include CIS Global Opportunities Fund SPC – Rental Yield Growth Fund SP. CIS SAM is also the investment manager of CIS FUND OFC, the umbrella fund of the Subscriber. CIS SAM is a direct wholly owned subsidiary of CIS Group Limited.

Each of the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) is an Independent Third Party. Immediately prior to the entering into of the Subscription Agreement, none of the Subscriber, CIS SAM and parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) had any interests in the Shares.

In the event of any further proposed change in an investor of the Subscriber, and the new investor is a connected person of the Company, the Company will comply with the relevant requirements of Chapter 14A of the Listing Rules in relation to the Subscription.

a) Future intentions of the Subscriber and CIS SAM regarding the Group

As disclosed in the Letter from the Board, the Subscriber and CIS SAM intend to continue the existing principal business of the Group immediately following Completion. The Subscriber and CIS SAM also intend to focus on the existing principal business of the Group in the future and explore potential avenues and strategies to achieve growth and expansion in the business operations of the Group. The Subscriber and CIS SAM have no intention to introduce any major changes to the existing business and operation of the Group (including any redeployment of the fixed assets of the Group) nor terminate the continued employment of the employees of the Group, other than in the ordinary and usual course of business. Save as disclosed in the section headed "Proposed Change to the Board Composition of the Company" in the Letter from the Board, as at the Latest Practicable Date the Subscriber and CIS SAM have no intention to change the senior management of the Group following Completion in order to avoid causing any material disruption to the business operations of the Group.

b) *Proposed change to the Board composition of the Company*

As disclosed in the Letter from the Board, all existing Directors are expected to resign from their positions as Directors on a date no earlier than such date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Subscriber intends to nominate five new Directors, i.e. (a) Dr. Hiroshi Kaneko as new executive Director; (b) Mr. Chung Ho Wai Alan ("**Mr. Chung**") as new non-executive Director, and (c) Mr. Huang Zhongquan ("**Mr. Huang**"), Ms. Tang Ying Sum ("**Ms. Tang**"), Ms. Ha Sze Wan ("**Ms. Ha**") as new independent non-executive Directors who are expected to be appointed to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code. It is also the intention of the Subscriber and CIS SAM that Dr. Hiroshi Kaneko will be appointed as the chief executive officer of the Company upon his appointment as Director.

For the five new Directors' biographical information, please refer to the paragraph headed "Letter from the Board – The Subscription – Information on the Subscriber" and "Letter from the Board – Proposed change to the Board composition of the Company" in the Circular.

The proposed executive Director Dr. Kaneko has extensive management and operation experience in listed companies in Hong Kong. Although Dr. Kaneko does not have previous experience in property development, his vast experience in management role has laid solid foundation for him to assess business risk and make informed and commercially rational decision in the property development industry.

The proposed non-executive Director, Mr. Chung, has over 15 years of solid experience in the area of wealth management, financial and securities advisory. We are of the view that Mr. Chung could provide appropriate oversight, knowledge, experience and insights to the Company especially in aspects of financial and investment consulting and management.

With reference to the Letter from the Board, Mr. Huang, Ms. Tang and Ms. Ha are intended to be nominated as the new independent non-executive Directors. Pursuant to Rule 3.12 of the Listing Rules, every independent non-executive director must have the character, integrity, independence and experience to fulfil his role effectively in addition to fulfilling the requirements and continuing obligations under the Listing Rules. We have reviewed their biographies and noted that they all have appropriate professional qualifications to fulfil their role as a director, and they have accounting or related financial management expertise in financial institutions or listed companies in Hong Kong. Therefore, we are of the view that their diverse experience allow them to discharge responsibility as independent non-executive Directors to the Company.

c) Our view

Taking into account that the Subscriber is a sub-fund of an open ended fund company, the background of the investors of the Subscriber, being Grateful Heart and CIS Investments, we consider the Subscriber's participation in the Subscription will expand and diversify the Company's shareholder base and will provide solid capital support to the Company. CIS SAM being an investment manager is experienced in, among others, seeking investment opportunities, providing financial advice and recommendations in order to manage risk, generate and maximise returns of shareholders. Such experience is beneficial to the Company and their financial advice may bring opportunities and return to the Company and the Independent Shareholders in the future. We are also of the view that having the Subscriber and CIS SAM as the new Shareholder could improve confidence of the Independent Shareholders and investors of the Company. Hence, the introduction of the Subscriber as new Shareholder is in the interest of the Company and the Independent Shareholders as a whole.

3. Reasons for and benefits of the Subscription and the use of proceeds

As stated in the Letter from the Board, the gross proceeds from the Subscription will be HK$168,000,000, being a sum equal to the Consideration. The net proceeds are estimated to be approximately HK$136,000,000 and will, as nominated by the Company, be paid to the Scheme as the Cash Consideration to settle the debts and liabilities to the Creditors under the Scheme.

References are made to announcements of the Company dated 21 March 2022, 24 March 2022, 24 April 2022, 3 May 2022, 17 May 2022, 19 June 2022, 17 August 2022, 18 December 2022 and 14 April 2023. On 19 March 2022, the Company received a winding-up petition filed by Harbor Sure with the Supreme Court against the Company which arose as a result of the Company's alleged failure as guarantor to pay the principal amount and default interest owed by a wholly-owned subsidiary of the Company to Harbor Sure pursuant to a facility agreement entered into between, among others, such wholly-owned subsidiary of the Company as borrower and Harbor Sure as lender.

Upon application by the Company for an adjournment of the winding-up hearing in respect of the Petition, after a number of hearings, the Supreme Court ordered at a hearing held on 14 April 2023 that the hearing of the Petition be adjourned to 9:30 a.m. on Friday, 14 July 2023 (Bermuda time). The Petition necessitated the Company to act quickly and decisively to demonstrate to the Supreme Court that it has a concrete rescue proposal, or otherwise the Company would likely face an order made by the Supreme Court for the winding up of the Company. Pursuant to the Scheme, the distribution to the Creditors with Admitted Claims will be made out of (i) first of all, the Cash Consideration, being a payment of cash in the amount equivalent to the net proceeds (after deducting the costs and expenses in connection with or incidental to the transactions contemplated under the Subscription Agreement (including the Restructuring Transactions)) from the Subscription, being not less than HK$136,000,000; and (ii) in addition, the shares in and assets of the Scheme Subsidiaries (to the extent recoverable by and available to the Scheme Administrators), which will be transferred to the SchemeCo by way of the Group Reorganisation. Such distribution (including the distribution of any Residual Value that the SchemeCo may receive) will be made in accordance with the terms of the Scheme. Only unsecured Claims (or unsecured portion of Claims, such as the unsecured portions of the claims of Profound Success and Sure Valued) would be subject to the Scheme. Upon the Scheme having become effective, all Creditors (including those abstaining from voting and those voting against the Scheme) will be taken as accepting the terms of the Scheme and all Creditors and their respective claims against the Company and the Co-Obligors together with all guarantees given by the Company (to the extent of those given by the Company which are unsecured only) and the Co-Obligors and all security over any asset of any Co-Obligor as of the Effective Date will be discharged and released in full as against the Company and the Co-Obligors through the collaterals on the Effective Date and the Creditors with Admitted Claims shall discharge and waive all their claims against the Company and the Co-Obligors, notwithstanding the fact that the Claims will not be settled in full monetary amount. The Scheme is without prejudice to the rights and entitlements of the Creditors whose debts are secured upon any assets of the Company (the "**Secured Creditors**"). As such, the claims of the Secured Creditors in relation to such security and the secured portion of Claims will not be discharged as at the Effective Date. Unless a Secured Creditor has agreed with the Scheme Administrators an appraised value for its security or has released such security, the claim of the Secured Creditor in relation to the security or the secured portion of Claims will be treated as a Claim which has not been admitted or rejected by the Scheme Administrators and appropriate reserves will be made by the Scheme Administrators out of the Scheme Assets, pending the Secured Creditor notifying the Scheme Administrators that it has realised its security and providing details of the amount of shortfall (if any) after applying the proceeds of the realisation of the security, or, if earlier, releasing or agreeing with the Scheme Administrators a value for such security. A Secured Creditor shall pay to the Scheme Administrators any amount received in excess of its Claim from the net proceeds of realisation of its security and distributions received by it under the Scheme.

As such, the net proceeds would allow the implementation of the Scheme and avoid the Company from being wound up and improve the financial position of the Group.

As discussed in the section headed "I. 1. Background information of the Group", the Group has faced severe liquidity challenges and has been actively seeking to restructure its business and improve its financial position. The Group has been recording losses for the three years ended 31 December 2022 under review. The Group's financial position remained tight with soaring net gearing ratio which increased from approximately 268.1% as at 31 December 2021 to 1,104.2% as at 31 December 2022, and it recorded negative interest rate coverage ratio since FY2020. As at 31 December 2022, the Group had total bank and other borrowings of approximately RMB2,704 million majority of which were collateralised by the Group's property, plant and equipment properties under development, properties for sale and investment properties recorded at a total carrying amount of RMB2,443 million, whereas the Group's bank balances and cash was only amounted to approximately RMB183 million which would not be sufficient to settle all the Claims of all Creditors.

Nonetheless, as described in note 2 to the consolidated financial statements as attached in Appendix I, the Group's financial conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern and the auditor of the Company had issued a disclaimer of opinion of the Group's financials for FY2022.

a) Our view

Taking into account (i) that the Group has recorded net losses since 2020; (ii) the Group's financial position; (iii) the Default Events; (iv) the Petition; (v) that the Subscription provides the necessary funding timely to facilitate the debt restructuring; and (vi) that the implementation of the Scheme is essential for the revitalisation of the Company, failing which may result in the winding up of the Company, we are of the opinion that the use of proceeds will improve the Group's gearing ratio and hence strengthen its financial position alleviate the liquidity pressure and reduce the gearing level of the Group and is crucial to the implementation of the rescue plan of the Company.

4. Financing alternatives of the Group

As stated in the Letter from the Board, other than the Subscription, the Directors considered other ways to settle the Claims, including settlement using the cash balance of the Group, realising assets of the Group and other means of fund raising, such as debt financing from bank or money lenders and other forms of equity financing may not be feasible or practical.

a) Settlement using cash balance

As stated in the Letter from the Board, the Company had evaluated the use of cash balance of the Company to settle the Claims. As at 30 June 2022, the Harbor Sure Borrowing amounted to approximately HK$71.5 million, which at first glance appears insignificant when compared with the Group's total assets of RMB9,744 million (equivalent to approximately HK$11,918 million) and unrestricted cash balance of RMB147.7 million (equivalent to approximately HK$180.6 million) as at 30 June 2022. However, the fact is that most of the unrestricted cash balance of the Company has already been earmarked for use to sustain the existing projects of the Group. The latest governmental regulation in the real estate industry in the PRC, has required the deposit of cash with accounts supervised by the relevant PRC authorities to ensure that such cash will first be used in connection with the real estate projects of the subsidiaries and would not be used for any other purposes before fully settling the construction cost of the real estate projects and the utilisation of the unrestricted cash balance would require the consent or approval from relevant governmental department, which, of the view of the Directors, and we concur, is considered to be highly unlikely given the current economic environment in the PRC. Moreover, as most of the subsidiaries' real estate projects are financed through project financing obtained from local financiers such as banks and trust companies, the use of cash by the subsidiaries is in general subject to the prior consent of the financiers to ensure repayment of the loans advanced to the subsidiaries and payment of interest accrued. For uses of cash not relating to the property development concerned or repayment of the financing, the Directors consider, and we concur, it is unlikely that the financiers will grant consent to such uses of the subsidiaries' cash.

Furthermore, as stated in the Letter from Board, for illustration purposes, the cash balance of the Group as at 30 June 2022 would only be able to settle approximately 6.49% of the total Claims (including those of Harbor Sure and Profound Success) if any part of the cash balance could be so applied. As such, using such method would not resolve the Claims of other Creditors who would otherwise be entitled to take action against the Company in place of Harbor Sure.

b) Settlement of claim by realising assets of the Group

As stated in the Letter from the Board, most of the real estate projects of the Group are situated in the PRC, in particular in or around Changsha City in Hunan Province. Due to the outbreak of the COVID-19 pandemic, the current economic conditions in the PRC and existing policies in relation to real estate adopted by local governments in the PRC, the Company expects that it would be extremely difficult (if not impossible) to liquidate the Group's real estate projects in the PRC within a short period of time, even if the real estate projects are attempted to be sold at a deep discount (which in fact is not possible because the selling price must be agreed by the project financiers who would normally not be willing to agree to sell at a deep discount). According to Bloomberg news[2], consumer confidence remained weak and potential home buyers delay purchase for a steeper drop in home price. It is due to the property market has become extremely saturated in Changsha, where, at present, there are over 100 private real estate developers competing with one another to realise their assets, some at steep discounts, demand for real estate from private real estate developers in Changsha City is weak due to a combination of existing policies in relation to real estate adopted by the local government, including but not limited to restriction of purchase of real estate by consumers unless the individual purchaser in question is a local registrant of the official household registration system of the PRC and raising the mortgage requirements for consumers when purchasing property, low consumer confidence in the economy and housing market, and consumers' preference to state owned developers over private developers given recent concerned about the increasing number of incidents where private real estate developers are unable to complete construction of real estate projects after payment of the purchase price.

2 *Bloomberg News Link:*
https://www.bloomberg.com/news/articles/2022-12-15/china-s-home-price-slump-persists-as-buyer-demand-remains-weak

Nonetheless, even if the Group manages to realise its real estate projects, due to the restrictions placed on the cash balances of the PRC operating subsidiaries by, among others, the relevant governmental departments and financiers as mentioned in 4.a above, the proceeds from the sale of the real estate projects would still be restricted from being utilised for settling the offshore debts of the Group.

Given the above reasons and also the prospect of the PRC real estate industry, as stated in the Letter from the Board, the Company considers, and we concur, liquidating its assets for the purpose of settling its Claims within a short period of time to be unfeasible and impractical.

c) Other means of fund raising

During the years ended 31 December 2020, 2021 and 2022, the Group recorded finance costs of approximately HK$219.9 million, HK$122.1 million and HK$137.0 million, respectively and loss of approximately HK$1,393.1 million, HK$487.4 million and HK$732.8 million, respectively. Accordingly, the Company had a negative interest coverage for the FY2020, FY2021, FY2022. The gearing ratio of the Company was approximately 215.0%, 268.1% and 1,104.2% as at 31 December 2020, 31 December 2021 and 31 December 2022. For debt financing from banks or money lenders, the Directors considered, and we concur, that it will incur further interest expenses and leverage on the Group. Due to the loss-making performance of the Group, the negative interest coverage ratio of the Group and the high leverage status of the Group, it may not be feasible for the Group to obtain additional debt financing with terms acceptable to the Group. Debt financing from banks or money lenders may also be subject to lengthy due diligence and internal risk assessment by the institutions. Under the current circumstances of winding up petition against the Group as well as the reasons mentioned herein, we concur with the Directors' view that debt financing from banks or money lenders is not practical.

In light of the loss-making record of the Group for three consecutive years, lack of financial resources to meet debt obligations and the existence of the Petition, if the Company raises the necessary funds by way of placing, rights issue or open offer of new Shares, we concur with the Directors that the public may not be interested in a listed company with financial difficulties, pending winding up petition and going-concern issue. As such, the Directors considered, and we concur, that placing, rights issue or open offer of new Shares is not feasible to the Group.

d) Our view

Having considered that (i) the Group has recorded net losses since 2020; (ii) the Group lacks sufficient financial resources to meet its capital requirements and debt repayment obligations; (iii) it is impractical to utilise cash balance of the Company and realising assets of the Group for settlement; (iv) it is neither cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing; (v) the Subscription provides the necessary funding timely to facilitate the debt restructuring and support the capital requirements of the Group's operation; and (vi) the implementation of the Scheme is essential for the revitalisation of the Company, failing which may result in the winding up of the Company, we are of the opinion that the Subscription is in the interest of the Company and the Independent Shareholders as a whole.

B. THE SUBSCRIPTION

1. Principal terms of the Subscription Agreement

Set out below are the summary of principal terms of the Subscription Agreement, details of which are set out in the section titled "The Subscription Agreement" in the Letter from the Board.

Date

11 July 2022

Parties

(i) the Company (as issuer); and

(ii) the Subscriber (as subscriber)

The Subscription Shares

The Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,307,019,402 Subscription Shares at the Consideration of HK$168,000,000, which represents a subscription price per Subscription Share of approximately HK$0.1285.

After adjusting for the effects of the Capital Reorganisation, the Subscription Shares represent approximately 92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares in full (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation and the Subscription).

2. Evaluation of the Subscription Price

The price per Subscription Share of approximately HK$0.1285 represents:

(a) a discount of approximately 91.4% to the closing price of HK$0.015 per Share (HK$1.50 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation;

(b) a discount of approximately 87.2% to the closing price of HK$0.01 per Share (HK$1.00 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange on 11 May 2022, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the 13 May 2022 Announcement and adjusted for the effect of the Capital Reorganisation;

(c) a discount of approximately 93.6% to the closing price of HK$0.02 per Share (HK$2.00 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(d) a discount of approximately 92.4% to the average closing price of HK$0.017 per Share (HK$1.70 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

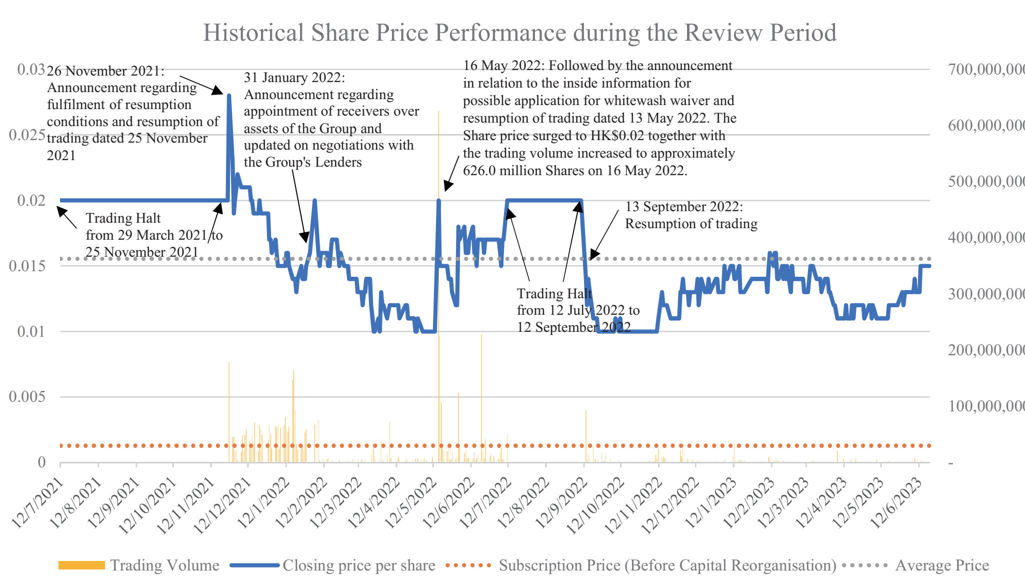
(e) a discount of approximately 92.4% to the average closing price of HK$0.017 per Share (HK$1.70 per New Share assuming the completion of the Capital Reorganisation) as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and

(f) a discount of approximately 94.3% to the audited consolidated net asset value per Share as at 31 December 2022 of approximately HK$0.0225 per Share (HK$2.25 per New Share assuming the completion of the Capital Reorganisation) and adjusted for the effect of the Capital Reorganisation.

The net subscription price, after deduction of relevant expenses, of approximately HK$136,000,000, is estimated to be approximately HK$0.1041 per Subscription Share.

a) Historical Share price performance

We have reviewed the daily closing prices of the Shares for the period from 11 July 2021 (being the 12-month period prior to the Last Trading Day) and up to the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing price prior to the Last Trading Day and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the Share price before the Last Trading Day represents a fair market value of the Company which the Shareholders expected. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: The Stock Exchange

As illustrated in the chart above, during the Review Period, the Share price closed at an average of HK$0.016, with the highest and lowest prices of the Share, being HK$0.028 recorded on 26 November 2021 to 10 December 2021 and HK$0.01 recorded on 24 to 25 March 2022, 29 March 2022, 27 to 28 April 2022, 3 to 6 May 2022, 10 to 13 May 2022, 23 September 2022, 26 to 30 September 2022, 3 October 2022, 5 to 6 October 2022, 10 October 2022, 12 to 14 October 2022, 17 to 21 October 2022, 24 to 28 October 2022, 31 October 2022, 1 to 4 November 2022 and 7 to 10 November 2022, respectively. Taking into account the effect of the Capital Reorganisation, the Subscription Price would be HK$0.001285 prior to the Capital Reorganisation, which is below and represents a discount of approximately 92.0% to the average price per Share of HK$0.016 during the Review Period. We also noted that the closing price of the Shares had been staying above the Subscription Price during the Review Period.

As depicted from the above chart, the closing price of the Shares formed a flat trend from 12 July 2021 to 25 November 2021 since the beginning of the Review Period because of the suspension of trading due to the delay in publication of the 2020 Annual Results and pending to fulfill HKEx's resumption request. On 25 November 2021, the Company published an announcement regarding fulfilment of resumption conditions and resumption of trading. Subsequent to the announcement dated 25 November 2021, the Share price surged to HK$0.028 on 26 November 2021.

After the resumption of trading announcement of the Company dated 25 November 2021, the closing price of the Shares formed a general sliding trend since 26 November 2021. On 31 January 2022, the Company published an announcement in relation to the appointment of receivers over assets of the Group and update on negotiations with the Group's lenders. Subsequent to the abovementioned announcement, on 4 February 2022, the Share prices fluctuated within the range of HK$0.015 and HK$0.033 between February 2022 to late March 2022. On 21 March 2022, the Company published the announcement in relation to the inside information of winding up petition against the Company and followed by such announcement, the Share price of the Company closed at HK$0.01 on 24 March 2022. On 13 May 2022, the Company issued its announcement in relation to the inside information for possible application for whitewash waiver and resumption of trading. We note that, subsequent to the abovementioned announcement, the Share price surged to HK$0.02 together with the trading volume increased to approximately 626.0 million Shares on 16 May 2022. On 19 June 2022, the Company published an announcement in respect of the update information of winding up petition against the Company, we noted that followed by such announcement of the Company dated on 19 June 2022, the share price of the Company fluctuated within the range of HK$0.016 to HK$0.025 together with the trading volume increased to approximately 228.5 million Shares on 20 June 2022.

Besides, trading in the shares of the Company has been halted with effect from 12 July 2022 to 12 September 2022 due to the Company and the Subscriber having entered into the conditional Subscription Agreement on 11 July 2022 and trading in the Shares of the Company has been resumed after the publication of the announcement dated 13 September 2022.

Lastly, on 12 September 2022, the Company issued an announcement in relation to the capital reorganisation; change in board lot size; issue of new shares under specific mandate; creditors' scheme; application for whitewash waiver and resumption of trading. We note that in the next trading day after the publication of such announcement, the share price dropped by 30% from HK$0.02 to HK$0.014.

Based on the above, we noted that (i) the closing prices of the Shares had been staying well above the Subscription Price throughout the Review Period; and (ii) the Subscription Price represented a significant discount to the average closing prices of the Shares of approximately 92.0% during the Review Period. However, given (i) the Group has been loss-making for the three consecutive years ended 31 December 2022 and the Group's financial position remained tight with soaring net gearing ratio which increased from approximately 268.1% as at 31 December 2021 to 1,104.2% as at 31 December 2022; (ii) the Group lacks sufficient financial resources to meet its capital requirements and debt repayment obligations; (iii) as disclosed in the section headed "Alternative fund raising methods considered by the Company" in the Letter from the Board, the Company is facing practical difficulties in raising funds from alternative fund raising methods due to the adverse financial position of the Group, the Petition and difficulties in obtaining other means of financing; and (iv) as disclosed in the section headed "Reason For the Subscription and Use of Proceeds" in the Letter from the Board, the Subscription is essential to the Company, failure of which will lead to winding up of the Company and contrary to the interest of existing Shareholders, the Existing Shares may lose liquidity and substantially reduce in value. We are of the view that the Subscription Price is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole.

b) *Historical Share liquidity*

The following table sets out the total trading volume per month and the average daily trading volume per month of the Share during the Review Period:

	Total trading volume of Share for the month/period	Number of trading days	Average daily trading volume	Total number of issued Shares at the end of the month/period	% of average daily trading volume to total number of Shares as at the Latest Practicable Date
2021					
November (26th to 30th)	269,612,320	3	89,870,773	3,284,000,000	2.74%
December	841,918,600	22	38,269,027	3,284,000,000	1.17%
2022					
January	1,264,652,720	21	60,221,558	3,284,000,000	1.83%
February	177,479,560	17	10,439,974	3,284,000,000	0.32%
March	161,390,920	23	7,016,997	3,284,000,000	0.21%
April	149,635,100	18	8,313,061	3,284,000,000	0.25%
May	1,130,977,332	20	56,548,867	3,284,000,000	1.72%
June	605,518,760	21	28,834,227	3,284,000,000	0.88%
July	114,794,120	20	5,739,706	3,284,000,000	0.17%
August *(Note)*	–	23	–	3,284,000,000	0.00%
September	208,377,020	21	9,922,715	3,284,000,000	0.30%
October	14,590,750	20	729,538	3,284,000,000	0.02%
November	127,129,050	22	5,778,593	3,284,000,000	0.18%
December	52,651,200	20	2,632,560	3,284,000,000	0.08%
2023					
January	78,966,400	18	4,387,022	3,284,000,000	0.13%
February	54,141,500	20	2,707,075	3,284,000,000	0.08%
March	20,082,520	23	873,153	3,284,000,000	0.03%
April	46,577,410	17	2,739,848	3,284,000,000	0.08%
May	13,048,920	21	621,377	3,284,000,000	0.02%
June (1st to 20th)	19,569,000	14	1,397,786	3,284,000,000	0.04%
Minimum					0.02%
Maximum					2.74%
Average					0.51%

Source: The Stock Exchange

Note: In August 2022, nil trading volume was recorded due to the Company suspended its trading between 12 July 2022 to 12 September 2022.

We noted from the above table that the trading volume of the Share is generally thin during the Review Period. The percentages of average daily trading volume of the Share to the total issued Shares during the Review Period are approximately 0.51%.

c) Comparable transactions analysis

In assessing the fairness and reasonableness of the Subscription Price, we identified subscription of new shares under specific mandate relating to creditors scheme or debt restructuring and involving whitewash waiver application (the "**Comparable Transactions**") which were either published by way of announcement or circular by listed companies in Hong Kong during the period from 1 January 2020 to the Latest Practicable Date. Based on these criteria, we identified five Comparable Transactions as below and they are exhaustive. Shareholders should note that the market capitalisations, businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions and the subscriber(s) under the Comparable Transactions may or may not be connected person(s) of the subject company. Nevertheless, these factors would not affect the comparability of the Comparable Transactions as they serve for comparison among practices of listed companies in Hong Kong under creditors scheme or debt restructuring.

Date of announcement	Company name (Stock code)	Principal business as at the date of its respective announcement	Discount of the issue price to closing price per share on the last trading day *approximate %*	Discount of the issue price to closing price per share for the last five trading days up to and including the last trading day *approximate %*	Dilution effect of subscription on existing public shareholding *approximate %*
17/11/2020	Freeman Fintech Corporation Limited (279)	Principally engaged in the financial services sector, including (a) the provision of securities and futures brokerage services, placing, underwriting and margin financing services; (b) the provision of insurance brokerage and financial planning services; (c) the provision of asset management and advisory services; and (d) the provision of corporate finance advisory services.	(81.50) to (82.10)	(82.70) to (83.20)	88.89
15/3/2021	China Oil Gangran Energy Group Holdings Limited (8132)	Primarily engaged in the following businesses: (i) manufacture and sales of power and data cords business; (ii) trading of refined oil and chemicals business; and (iii) trading of commodities.	(87.55)	(89.89)	83.33
24/6/2021	National United Resources Holdings Limited (254)	Engaged in bus transportation services, passenger operation and car rental services.	(92.30)	(92.80)	71.24
22/11/2021	Samson Paper Holdings Limited (731)	Principally engaged in (i) paper manufacturing business; (ii) paper trading business including sale of paper and cardboard, office supplies and consumables and supplies for paper manufacturing; (iii) Fast moving consumer goods business; (iv) PID business; and (v) other businesses including trading of consumable aeronautic parts and the provision of related services, and provision of logistic services and marine services.	(96.70)	(96.60)	89.67
10/3/2022	China Wood International Holding Co., Limited (1822)	Principally engaged in (i) sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC.	(32.30)	(29.50)	86.84
Maximum			(96.70)	(96.60)	89.67
Minimum			(32.30)	(29.50)	71.24
The Company			(93.60) *(Note)*	(92.40) *(Note)*	92.08

Note: The effect of the Capital Reorganisation was taken into account.

We noted from the above table that the subscription prices of the Comparable Transactions represented discounts (i) ranged from approximately 32.30% to 96.70% to the respective closing prices of their shares on the last trading day; and (ii) ranged from approximately 29.50% to 96.60% to the respective average closing prices of their shares for the last five trading days. The Subscription Price, which represented a discount of approximately 93.60% to the closing price of the Shares on the Last Trading Day and a discount of approximately 92.40% to the closing price of the Shares on the last five trading days, are within the abovementioned Comparable Transactions range.

Even though the Subscription Price's discount to the closing price of the Shares on the Last Trading Day and the discount to the last five trading days is close to the maximum discount range among those Comparable Transactions, having considered (i) the Group has been loss-making continuously for the three years ended 31 December 2022 and the Group's financial position remained tight with soaring net gearing ratio; (ii) the Group lacks sufficient financial resources to meet its capital requirements and debt repayment obligations; (iii) the Company is facing practical difficulties in raising funds without a substantial discount and dilution to the public Shareholders due to the adverse financial position of the Group, the Petition and difficulties in obtaining other means of financing; and (iv) as disclosed in the section headed "Reason For the Subscription and Use of Proceeds" in the Letter from the Board, the Subscription is essential to the Company, failure of which will lead to winding up of the Company and contrary to the interest of existing Shareholders, the Existing Shares may lose liquidity and substantially reduce in value, we are of the view the Subscription Price's discount to the closing price of the Shares on the Last Trading Day and the discount to the last five trading days is close to the maximum discount range among those Comparable Transactions is justifiable and the Subscription is in the interest of the Company and the Independent Shareholders as a whole.

d) Comparable companies analysis

To further assess the fairness and reasonableness of the Subscription, we have also selected and identified a list of six industry comparable companies (the "**Industry Comparables**"). The selection criteria include the followings:

i. are listed on the Main Board of the Stock Exchange;

ii. are principally engaged in the business of property development in the PRC;

iii. market capitalisation below HK$500 million as at the Latest Practicable Date; and

iv. a winding-up petition was served and filed with High Court/ Supreme Court in the last 12 months prior to the Last Trading Day and up to the Latest Practicable Date.

In order to (i) identify comparable companies that are facing financial difficulties or potential insolvency risks which are in similar situation like the Company; (ii) provide a more accurate comparison with the Group's financial position; and (iii) provide a more realistic representation of the market and the challenges that similar companies may be facing, we included the criteria of having a winding-up petition served and filed in the selection of industry comparables.

The Industry Comparables have been selected exhaustively based on the criteria set out above which have been identified, to the best of our efforts, in our research through public sources and hence are fair and representative.

The trading multiples analysis, including the price-to-earnings ratio, ("**P/E Ratio**"), price-to-sales ratio ("**P/S Ratio**") and price-to-book ratio ("**P/B Ratio**"), is a commonly adopted valuation method in the market. Given that the Group was loss-making for the year ended 31 December 2022, the P/E Ratio analysis is therefore not applicable.

The following tables set out (i) the P/S Ratio, P/B Ratio and gearing ratio of the Industry Comparables based on their closing share price as at the Latest Practicable Date and their latest published financial information; and (ii) the implied P/S Ratio, P/B Ratio and gearing ratio of the Company based on the Subscription Price and its latest published financial information:

Company name (Stock code)	**Market capitalisation (as at the Latest Practicable Date** *(Note 1)* *HK$*	**Net profit/(loss) from their respective latest annual report** *HK$*	**Closing price on the Latest Practicable Date** *HK$*	**P/S Ratio** *times*	**P/B Ratio** *times*	**Gearing ratio** *(Note 2)*
Leading Holdings Group Limited (6999.HK)	246.5 million	(6,235.2) million	0.27	0.02	0.04	652.8%
Skyfame Realty (Holdings) Limited (59.HK)	185.8 million	(4,396.6) million	0.019	0.06	0.08	926.2%
DaFa Properties Group Limited (6111.HK)	76.6 million	(524.4) million	0.093	0.01	0.01	287.4%
Sanxun Holdings Group Limited (6611.HK)	104.8 million	132.9 million	0.150	0.02	0.03	345.5%
China Sinostar Group Company Limited(485.HK)	40.5 million	(17.6) million	0.13	0.71	0.09	19.9%
Xinming China Holdings Limited(2699.HK)	22.5 million	(1,016.5) million	0.012	0.18	0.80	9,853.7%
Maximum				0.71	0.80	9,853.7%
Minimum				0.01	0.01	19.9%
Average				0.17	0.17	2,014.3%
The Company	14.6 million *(Note 4)*	(896.3) million	0.001285	0.01 *(Note 3)*	0.05 *(Note 3)*	1,947.1%

Notes:

1. The market capitalisations of the Comparable Companies are calculated by multiplying the share price and the number of issued shares of the respective companies as at the last trading day.

2. Gearing ratio calculated based on the total debt (including all bank borrowings and lease liabilities) divided by the total equity as at the respective period end and multiplied by 100%.

3. The implied P/B Ratio and P/S Ratio are calculated based on the theoretical market capitalisation of the Company derived from the Subscription Price.

4. The implied market capitalisation of the Company is calculated by multiplying the Subscription Price with the number of issued shares and immediately upon the Capital Reorganisation having become effective.

5. The closing price of the Company is the Subscription Price and adjusted for the effect of the Capital Reorganisation

As illustrated in the table set out above, the P/B Ratios of the Industry Comparables ranged from approximately 0.01 times to approximately 0.80 times, with an average of approximately 0.17 times. Such ratios demonstrate that the share price of the Industry Comparables in the similar situation and same industry as the Company are at significant discount to their respective net present value. The implied P/B Ratio of the Company based on the Subscription Price is approximately 0.05 times which is within the range and near to the lowest of the P/B Ratios of the Industry Comparables.

The P/S Ratio of the Industry Comparables ranged from approximately 0.01 times to approximately 0.71 times, with an average of approximately 0.17 times. The implied P/S Ratio based on the Subscription Price is approximately 0.01 times which falls within the range and at the lowest of the P/S Ratio of the Industry Comparables.

We noted that save for one Industry Comparable, all Industry Comparables which were served with the winding-up petition filed with High Court/ Supreme Court recorded net loss according to their respective latest annual report. Meanwhile, the gearing ratio of the Industry Comparables ranged from approximately 19.9% to 9,853.7% and among all the Industry Comparables, the Company recorded the second highest gearing ratio of approximately 1,947.1% as at 31 December 2022.

Despite the implied P/B Ratio and P/S Ratio are near to the lowest of the Industry Comparables, having considered that the Company recorded the second highest gearing ratio among those Industry Comparables, showing that the Company is in imminent need of funding and the Subscription could provide the necessary funding timely to facilitate the debt restructuring and support the capital requirements of the Group. As such, we are of the view that the Subscription Price is justifiable and the Subscription is in the interest of the Company and the Independent Shareholders as a whole.

e) Potential dilution effect of the Subscription

As at the Latest Practicable Date, the Company has 11,365,386,067 Existing Shares in issue. As illustrated in the table in the section headed "Effects on the Shareholding Structure of the Company" in the Letter from the Board, the shareholding in the Company held by existing public Shareholders would be reduced from approximately 43.55% as at the Latest Practicable Date to approximately 3.48% immediately after the Subscription, which represented a dilution effect of approximately 92.0% to the public Shareholders. Moreover, the Subscription will enable the Subscriber to acquire a controlling stake in the Company immediately upon Completion.

Based on our analysis of the Comparable Transactions, we noted that the Comparable Transactions recorded a dilution effect of subscription on existing public shareholding in the range from approximately 71.24% to 89.67%. Three out of the five Comparable Transactions recorded a dilution effect of subscription on existing public shareholding over 85%, and the dilution effect of Subscription on existing public shareholding of approximately 92.08% is slightly above the range of the Comparable Transactions.

Based on our analysis of the Industry Comparables, we noted that the Company recorded the highest gearing ratio and the Company is in imminent need of funding to facilitate the debt restructuring and support the capital requirements of the Group. Having considered the exceptional circumstances as defined under Rule 7.27B of the Listing Rules, we are of the view that the benefits of the Subscription outweigh the deep dilution effect of the Subscription and is acceptable.

f) Our view

Having considered the following factors:

(i) the Group has been loss-making for the two years ended 31 December 2022 and the Group's financial position remained tight with soaring net gearing ratio which increased from approximately 268.1% as at 31 December 2021 to 1,104.2% as at 31 December 2022;

(ii) the Group lacks sufficient financial resources to meet its capital requirements and debt repayment obligations;

(iii) as disclosed in the section headed "Alternative fund raising methods considered by the Company" in the Letter from the Board, the Company is facing practical difficulties in raising funds from alternative fund raising methods due to the adverse financial position of the Group, the Petition and difficulties in obtaining other means of financing;

(iv) as disclosed in the section headed "Reasons for the Subscription and Use of Proceeds" in the Letter from the Board, the Subscription is essential to the Company, failure of which will lead to winding up of the Company and contrary to the interest of existing Shareholders, the Existing Shares may lose liquidity and substantially reduce in value;

(v) the discount of the Subscription Price of HK$0.1285 is within the range of the Comparable Transactions;

(vi) three out of the five Comparable Transactions recorded a dilution effect of subscription on existing public shareholding over 85%, and the dilution effect of Subscription on existing public shareholding of approximately 92.08% is slightly above the range of the Comparable Transactions;

(vii) including the Company, all the Industry Comparables recorded a substantial increase in their net loss or decrease in their net profit; and the Company recorded the second highest gearing ratio among those Industry Comparables, showing that the Company is in imminent need of funding and the Subscription could provide the necessary funding timely to facilitate the debt restructuring and support the capital requirements of the Group; and

(viii) four out of the five Comparable Transactions recorded dilution of subscription of over 80% for companies that undergo creditors' scheme or debt restructuring,

we are of the view that (1) the terms of the Subscription are fair and reasonable and in the interest of the Company and Independent Shareholders as a whole; and (2) the abovementioned benefits of the Subscription outweigh the deep discount of the Subscription Price and dilution impact to the public Shareholders, and hence the Subscription Price and dilution effect to the shareholding interests of the public Shareholders as a result of the Subscription are acceptable.

C. WHITEWASH WAIVER

With reference to the table in the section headed "Effects on the Shareholding Structure of the Company" in the Letter from the Board, as at the Latest Practicable Date, neither the Subscriber, CIS SAM nor its parties acting in concert held any Existing Shares. Upon Completion, the shareholding of the Subscriber will increase to approximately 92.0% of the then issued share capital of the Company as enlarged by the Subscription, thereby triggering a general offer obligation under the Takeovers Code. As such, an application has been made by the Subscriber and CIS SAM to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code.

The Whitewash Waiver, if granted by the Executive, will be subject to the respective approval of the Independent Shareholders on the Subscription and the Whitewash Waiver taken on a poll at the SGM. As the Whitewash Waiver is one of the non-waivable conditions precedent to the Subscription Agreement, the Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or is not approved by the Independent Shareholders. The Specific Mandate and the Whitewash Waiver are required to be approved by ordinary resolution(s) and special resolution(s), respectively, by the Independent Shareholders at the SGM.

The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. The Subscriber and CIS SAM and each of their associates, any parties acting in concert with the Subscriber and CIS SAM (including Grateful Heart, Mr. Kenichi Yanase and Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) and any Shareholders who are interested in or are involved in the Restructuring Transactions and/or the Whitewash Waiver (including Tongda Enterprises Limited and its ultimate beneficial owner, Mr. Pan) shall abstain from voting on the resolutions approving the Restructuring Transactions and the Whitewash Waiver at the SGM.

In view of that (i) the Subscription and the use of proceeds therefrom are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, due to the reasons set out in the section headed "3. Reasons for and benefits of the Subscription and the use of proceeds" in this letter; (ii) the Subscription is currently the most appropriate and viable fund raising method available to the Company as discussed in the section headed "4. Financing Alternatives of the Group" in this letter; and (iii) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned for the purpose of proceeding with the Subscription.

D. RECOMMENDATION

Having taken into consideration the factors and reasons as stated above and as summarised below,

(i) the Subscription will introduce the Subscriber as a new Shareholder and will expand and diversify the Company's shareholder base and will provide solid capital support to the Company;

(ii) the implementation of the Subscription Agreement is crucial for the Company and the Shareholders as a whole as the Subscription provides an opportunity to raise new funds to facilitate the debt restructuring and implementation of the Scheme, thereby strengthening the Group's financial position, alleviate the liquidity pressure and reduce the gearing level of the Group, which is essential for the revitalisation of the Company;

(iii) the Subscription Price of HK$0.1285 representing a discount of approximately 93.6% to the closing price on the Last Trading Day and 92.4% to the average closing price of the Shares on the last five trading days as quoted on the Stock Exchange and adjusted for the effect of the Capital Reorganisation are both within the range of the Comparable Transactions, and hence fair and reasonable;

(iv) the Subscription is the most viable and available fund-raising method for the Company amongst other fund raising methods;

(v) the level of dilution to the shareholding interests of the public Shareholders as a result of Subscription is only slightly above the range of Comparable Transactions and is acceptable; and

(vi) the Subscription is conditional upon, amongst others, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied, we are of the opinion that, despite the entering into of the Subscription Agreement not being in the ordinary and usual course of business of the Group, (i) the terms of the Subscription Agreement are on normal commercial terms and (ii) the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Specific Mandate and the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
for and on behalf of
Ample Capital Limited

T.Y. Yeung	**Jenny Law**
President	*Vice President*

Mr. T.Y. Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. T.Y. Yeung has over 13 years' experience in the corporate finance industry.

Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Jenny Law has over 10 years' experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group and notes to the consolidated financial statements for the last three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 are respectively disclosed in the annual results announcements of the Company for each of the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

These annual results announcements are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.fullsun.com.hk). Please refer to the hyperlinks as stated below:

(a) Annual results announcement for the year ended 31 December 2020:
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0709/2021070901492.pdf

(b) Annual results announcement for the year ended 31 December 2021:
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0411/2022041101462.pdf

(c) Annual results announcement for the year ender 31 December 2022
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0331/2023033103535.pdf

Financial Summary

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 December 2020, 2021 and 2022 as extracted from the annual reports of the Company for the financial years ended 31 December 2020, 2021 and 2022 respectively.

	For the year ended 31 December		
	2022	**2021**	**2020**
	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
(contracts with customers)	1,793,263	2,198,956	1,157,866
Leases	500	1,240	6,787
Total revenue	1,793,763	2,200,196	1,164,653
Cost of sales	(2,093,759)	(1,955,155)	(1,375,595)
Gross (loss)/profit	(299,996)	245,041	(210,942)
Other income	10,462	22,088	6,142
Other gains and losses	(83,194)	10,591	(15,248)
Selling and distribution expenses	(42,822)	(66,074)	(88,559)
Administrative expenses	(55,610)	(52,582)	(139,667)
Change in fair value of investment properties	(36,881)	(106,764)	(606,772)
Change in fair value of financial asset at fair value through profit or loss ("FVTPL")	–	237	223
Change in fair value of interest in deconsolidated subsidiaries	(13,397)	–	–
Impairment losses, net of reversal	(283,578)	(242,282)	(54,000)
Other expenses	(722)	(24,160)	(61,813)
Gain on deconsolidation of a subsidiary	263,251	–	–
Loss on disposal of a subsidiary	–	(34,154)	–
Finance costs	(136,954)	(122,136)	(219,889)
(Loss)/profit before taxation	(679,441)	(370,195)	(1,390,525)
Income tax expense	(53,397)	(117,168)	(2,551)
(Loss)/profit for the year	(732,838)	(487,363)	(1,393,076)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations	3,716	(23,201)	(4,959)
Release of translation reserve upon deconsolidation/disposal of subsidiaries	8,110	5,764	–
Other comprehensive income/(expense) for the year/period	11,826	(17,437)	(4,959)

	For the year ended 31 December		
	2022	**2021**	**2020**
	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*
Total comprehensive expense for the year	(721,012)	(504,800)	(1,398,035)
(Loss)/profit for the year attributable to:			
Owners of the Company	(663,554)	(579,754)	(1,367,183)
Non-controlling interests	(69,284)	92,391	(25,893)
	(732,838)	(487,363)	(1,393,076)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company	(651,728)	(597,191)	(1,372,142)
Non-controlling interests	(69,284)	92,391	(25,893)
	(721,012)	(504,800)	(1,398,035)
Loss per share			
Basic (RMB cents)	(5.84)	(5.10)	(12.03)
Diluted (RMB cents)	(5.84)	(5.10)	(12.03)
Dividend per share	Nil	Nil	Nil

The auditor's report issued by PKF Hong Kong Limited in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2022 contained the following disclaimer of opinion:

"DISCLAIMER OF OPINION

*We were engaged to audit the consolidated financial statements of Fullsun International Holdings Group Co., Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 48 to 178, which comprise:*

- *the consolidated statement of financial position as at 31 December 2022;*
- *the consolidated statement of profit or loss and other comprehensive income for the year then ended;*
- *the consolidated statement of changes in equity for the year then ended;*
- *the consolidated statement of cash flows for the year then ended; and*
- *the notes to the consolidated financial statements, which include a summary of significant accounting policies.*

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As described in note 2 to the consolidated financial statements, the Group reported a net loss of RMB733 million during the year ended 31 December 2022. As at 31 December 2022, the Group's total deficit attributable to owners of the Company amounted to RMB673 million and its current liabilities exceeded its current assets RMB301 million. At the same date, the Group's total borrowings amounted to RMB2,704 million (including the current portion of RMB2,695 million), of which RMB2,581 million were collateralised by the Group's property, plant and equipment properties under development, properties for sale and investment properties recorded at a total carrying amount of RMB2,443 million. As at 31 December 2022, the Group had total unrestricted cash and cash equivalents of RMB183 million.

*As at 31 December 2022, the Group was unable to repay borrowings and interest payables (the "**Defaulted Borrowings**") from several lenders according to the repayment schedule with total principal amounts of RMB2,638 million and related interest payables of RMB1,200 million. Such non-repayment are collectively referred to as the "Default Events". As a result, the entire outstanding principal and interest payables of the Defaulted Borrowings of RMB3,838 million, would be immediately repayable if requested by the respective lenders. Other than these Defaulted Borrowings, other borrowings with total principal amounts of RMB57 million and related interest payables of RMB12 million are also repayable within one year or on demand. Furthermore, the Group provided financial guarantee in respect of borrowings of a deconsolidated subsidiary, Vivalink Limited ("**Vivalink**") for outstanding sum of principals and interest payables of RMB230 million to lenders. These conditions, together with other matters as described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.*

*Management of the Company has been undertaking plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (a) negotiations results with the lenders of the Defaulted Borrowings, the Vivalink Assigned Borrowings and the Vivalink Defaulted Borrowing not to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings (b) mutual agreement of the Restructuring Transactions between the Company, the Subscriber and the Scheme Creditors in order to discharge the Group of a material portion of its borrowings and interest payables in time; (c) timely securing new financing from banks and financial institutions with which the Group is actively negotiating to restructure its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions; (d) accelerating the construction as well as pre-sale and sale of its properties under development, which requires the meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices in accordance with the timelines projected by management in the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"); and (e) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.*

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The auditor's report issued by PKF Hong Kong Limited in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2021 contained the following disclaimer of opinion:

"DISCLAIMER OF OPINION

*We were engaged to audit the consolidated financial statements of Fullsun International Holdings Group Co., Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 48 to 182, which comprise:*

- *the consolidated statement of financial position as at 31 December 2021;*
- *the consolidated statement of profit or loss and other comprehensive income for the year then ended;*
- *the consolidated statement of changes in equity for the year then ended;*
- *the consolidated statement of cash flows for the year then ended; and*
- *the notes to the consolidated financial statements, which include a summary of significant accounting policies.*

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As described in note 2 to the consolidated financial statements, the Group reported a net loss of RMB487 million during the year ended 31 December 2021. As at 31 December 2021, the Group's total deficit attributable to owners of the Company amounted to RMB22 million and its current assets exceeded its current liabilities RMB388 million. At the same date, the Group's total borrowings amounted to RMB3,017 million (including the current portion of RMB3,009 million), which were collateralised by the Group's properties under development and properties for sale and investment properties recorded at a total carrying amount of RMB3,700 million. As at 31 December 2021, the Group had total unrestricted cash and cash equivalents of RMB277 million.

*During the year ended 31 December 2021, the Group was unable to repay borrowings and interest payables from several bank and financial institutions according to the repayment schedule with total principal amounts of RMB2,395 million and related interest payables of RMB307 million. Such non-repayment are collectively referred to as the "Default Events". As a result, the entire outstanding principal and interest payables of these borrowings ("**Defaulted Borrowings**") of RMB2,702 million, would be immediately repayable if requested by the bank and financial institutions. The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$357 million and related interest payables of HK$38 million as at 31 December 2021. These conditions, together with other matters as described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.*

Management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position and performance of the Group in 2021, not to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings; (b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions; (c) successfully accelerating the construction as well as pre-sale and sale of its properties; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale *prices and in accordance with the timelines projected by management in the Group's cash flow projections prepared by management (the "**Cash Flow Projection**"); and (d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.*

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements."

The auditor's report issued by PKF Hong Kong Limited in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2020 contained the following material uncertainty related to going concern:

"MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements, which indicates that, as at 31 December 2020, the Group had total borrowings and convertible bonds of approximately RMB3,920,954,000 and RMB11,316,000 which are classified as current liabilities and borrowings of approximately RMB6,378,000 classified as non-current liabilities, and had incurred a gross loss of approximately RMB210,942,000 and a net loss of approximately RMB1,393,076,000 for the year then ended. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. By taking into account of the measures implemented by the Group as disclosed in Note 2, the Directors are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter."

2. MATERIAL CHANGE

The Directors confirm that, save for the following:

(i) the winding-up application of Hunan Xingrucheng Real Estate Development Co., Ltd.* (湖南興汝城房地產開發有限公司), a non-wholly owned indirect subsidiary of the Group, by several creditors, as detailed in the announcement of the Company dated 12 February 2023;

(ii) as disclosed in the paragraph headed "Letter from the Board – Financial effect of the Group Reorganisation" in this circular, the Group is expected to record a disposal gain of approximately RMB1,198,667,000 (equivalent to approximately HK$1,341,887,000) assuming the Group Reorganisation had completed on 31 December 2022; and

(iii) as disclosed in the paragraph headed "APPENDIX I – FINANCIAL INFORMATION OF THE GROUP – 5. EFFECTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP" and "APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP" in this circular, assuming that the Scheme were to take place on 1 January 2022, the Group is expected to record a decrease in loss and achieve a turnaround by generating a profit, an increase in total assets and decrease in total liabilities of the Group for the year ended 31 December 2022,

there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date.

3. INDEBTEDNESS

As at the close of business on 30 April 2023 being the latest practicable date for the purpose of ascertaining the indebtedness and contingent liabilities of the Group prior to the printing of this circular, the Group, other than Vivalink, Gold Asset Investment Limited and Wise Think Global Limited (the "**Deconsolidated Subsidiaries**") of which the Directors have no access to the financial information nor the indebtedness position, had total indebtedness (including commitments and guarantees) of approximately RMB10,319,499,000 as summarised below:

Borrowings

The Group had total outstanding borrowings of approximately RMB2,717,536,000 further details of which are set out below:

(1) Bank borrowing of the Group with the total amount of approximately RMB151,500,000, which was secured by properties under development for sales, and was guaranteed. Bank borrowing of approximately, RMB151,500,000 was defaulted.

(2) Other borrowings of the Group with the total amount of approximately RMB2,566,036,000, of which approximately RMB136,874,000 were unsecured, and approximately RMB2,429,162,000 were secured by properties under development for sales, completed properties held for sales, property, plant and equipment, investment properties and equity interests of certain subsidiaries. Other borrowings of approximately RMB2,479,162,000 were guaranteed. Other borrowings of approximately RMB2,486,206,000 were defaulted.

Other commitments

The Group had commitments for property development contracted for but not provided of approximately RMB3,460,748,000.

Provisions and contingent liabilities

Guarantees

The Group had provided guarantees in favour of banks for mortgage loans granted to purchasers of the Group's properties. No provision for the financial guarantee contracts has made as the credit risk is low and the fair value of the financial guarantee contracts is insignificant. The Group had contingent liabilities of approximately RMB4,098,163,000 in respect of these guarantees.

Saved as disclosed in Note 2 of the consolidated financial statements of the Group for the year ended 31 December 2022, the outstanding principals and interest payables of a deconsolidated subsidiary, Vivalink totalled RMB351,884,000 ("**Vivalink Assigned and Defaulted Borrowings**") were derecognised upon the deconsolidation of Vivalink on 1 January 2022. As at 30 April 2023, the outstanding sum of principals and interest payables of the Vivalink Assigned and Defaulted Borrowings totalled RMB229,535,000, representing the maximum amount of credit exposure of the Group since the outstanding sums would be fall due for repayment immediately if requested by the lenders pursuant to the guarantee clauses. No financial guarantee provision has been recognised as at 30 April 2023.

Provision for litigations, claims and compensations to customers

The Group had made provisions of approximately RMB43,052,000 in respect of potential claims and obligations arising from construction contracts and delay of transfer of completed properties to customers. Such provisions represent the Directors' best estimate of the consideration that would be required to settle the obligations by the Group.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables and contract liabilities, the Group did not have any other loan capital issued and outstanding or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, lease liabilities, guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2023.

4. WORKING CAPITAL SUFFICIENCY OF THE GROUP

As at 30 April 2023, the Group's bank and other borrowings amounted to approximately RMB151,500,000 and RMB2,566,036,000, respectively. On the same date, bank and other borrowings of approximately RMB151,500,000 and RMB2,486,206,000 were defaulted, respectively. In addition, other borrowings of approximately RMB57,456,000 are repayable on demand or will fall due for repayment within twelve months as at 30 April 2023.

Upon completion of the Group Reorganisation, bank and other borrowings of approximately RMB1,011,917,000 and interest payables of approximately RMB568,389,000 will be derecognised since these borrowings and interest payables will no longer be the indebtedness of the Group.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors have also considered in the sensitivity analysis about different uncertainties that the Group might encountered during the forecast period.

The Directors after due and careful enquiry, are of the opinion that, after taking into account the financial impact of the Group Reorganisation and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities, the Group will have sufficient working capital for its operating requirements and to pay its financial obligations as and when they fall due and for at least the next twelve months from the date of this circular.

In addition to the completion of the Group Reorganisation, the sufficiency of the Group's working capital to satisfy its requirements for at least the next twelve months from the date of this circular is also dependent on (i) the Group's ability to generate adequate financing and operating cash flows through successful renewal of its bank and other borrowings upon maturity and if the Group is not able to do so, (ii) successful securing of the financing from other lenders with repayment terms beyond twelve months from the date of this circular and (iii) other short-term or long-term financing and equity issuance.

Notwithstanding the above, significant uncertainties exist as to whether the Group can achieve the plans and measures to generate adequate cash inflow as scheduled, failing which the Group will strive to meet the working capital sufficiency by continuous negotiations with lenders to renew existing borrowings, exploring funding channels through equity and debt markets. The Group will also continue to seek other alternative financing, including: negotiate with constructors to extend the payment terms, reduce all non-essential costs and consider the possibility of realisation of Group's assets on an ongoing basis.

5. EFFECTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Earnings

The audited loss for the year ended 31 December 2022 was approximately RMB732,838,000 as disclosed in the annual report of the Company for the year ended 31 December 2022.

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular, assuming that the Scheme were to take place on 1 January 2022, the effect of the Group Reorganisation was that the loss for the year ended 31 December 2022 of the Group would have been decreased and became profit for the year of approximately RMB404,880,000.

Assets and Liabilities

The audited consolidated total assets and total liabilities of the Group as at 31 December 2022 were approximately RMB8,448,147,000 and RMB8,220,813,000 respectively as disclosed in the annual report of the Company for the year ended 31 December 2022.

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular, assuming completion of the Group Reorganisation had taken place on 31 December 2022, the unaudited pro forma consolidated total assets and total liabilities of the Group as at 31 December 2022 would be approximately RMB8,468,551,000 and RMB6,811,149,000 respectively.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group will continue to focus on its existing principal business such as the development and sale of residential and commercial properties in the PRC. The Company expects that with the effective control of the COVID-19 pandemic and support of government policies, the macro-economy of the PRC and the city clusters of the middle reaches of the Yangtze River Region will be generally restored, which will boost the confidence of the real estate market and see a gradual increase in demand. In the meantime, the Group will continue to adopt a flexible sales strategy to balance liquidity and profitability. The Group will continuously review the development of existing projects and its existing project portfolio and consider disposing of any underperforming investment properties or projects.

7. EXCESS OR DEFICIT OF THE CONSIDERATION OVER OR UNDER THE NET BOOK VALUE

It is estimated that, upon Completion, the Group will record an excess of the net book value over the consideration of RMBnil on the Group Reorganisation of approximately RMB247,754,000, being the difference between the Consideration and the unaudited net liabilities of the Target Group (including net liabilities of the Unrestricted Scheme Subsidiaries of RMB270,468,000 and minus the Interest in the Deconsolidated Subsidiaries of RMB22,714,000) as at 31 December 2022.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

The following is the text of a report on review of the financial information of the Scheme Subsidiaries received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PKF

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A. REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF THE UNRESTRICTED SCHEME SUBSIDIARIES

To the Directors of Fullsun International Holdings Group Co., Limited

Introduction

We have reviewed the historical financial information set out on pages II-1 to II-13, which comprises the unaudited condensed combined statements of financial position of the unrestricted Scheme Subsidiaries which comprised of all Scheme Subsidiaries other than Gold Asset Investment Limited ("**Gold Asset**"), Wise Think Global Limited ("**Wise Think**") and Vivalink Limited ("**Vivalink**") (Gold Asset, Wise Think and Vivalink collectively referred to as the "**Deconsolidated Subsidiaries**") (Scheme Subsidiaries other than Deconsolidated Subsidiaries collectively referred to as the "**Unrestricted Scheme Subsidiaries**") as at 31 December 2020, 2021 and 2022, and the unaudited condensed combined statements of profit or loss and other comprehensive income, unaudited condensed combined statements of changes in equity and unaudited condensed combined statements of cash flows of the Unrestricted Scheme Subsidiaries for the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**") and explanatory notes (collectively the "**Historical Financial Information of the Unrestricted Scheme Subsidiaries**") which have been prepared on the basis set out in Note 2 to the Historical Financial Information of the Unrestricted Scheme Subsidiaries and paragraph 14.68(2)(a)(i)(A) of the Listing Rules. Unless the context otherwise requires, capitalised terms used in this report shall have the same meanings as defined in this circular.

The Directors are responsible for the presentation and preparation of the Historical Financial Information of the Unrestricted Scheme Subsidiaries in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of the Unrestricted Scheme Subsidiaries and paragraph 14.68(2)(a)(i)(A) of the Listing Rule. The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information of the Unrestricted Scheme Subsidiaries that is free from material misstatement, whether due to fraud or error. The Historical Financial Information of the Unrestricted Scheme Subsidiaries does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard ("**HKAS**") 1 "Presentation of Financial Statements" or an interim financial report as defined in HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibility is to express a conclusion on this Historical Financial Information of the Unrestricted Scheme Subsidiaries based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and with reference to Practice Note 750, "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the Historical Financial Information of the Unrestricted Scheme Subsidiaries consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainties Related to Going Concern

Upon the completion of the Group Reorganisation, equity interests and assets of the Scheme Subsidiaries (other than the Deconsolidated Subsidiaries which subject to enforcement actions with Receivers appointed) will be transferred to a holding company deployed by the Scheme Administrators (the "**SchemeCo**") for the benefit of the Scheme Administrators to take steps to put the Unrestricted Scheme Subsidiaries into liquidation and/or to sell the equity interests and assets of the Unrestricted Scheme Subsidiaries as soon as practicable after the date on which the Creditors' Scheme becomes effective.

Without qualifying our conclusion, we draw attention to Note 2 to the Historical Financial Information of the Unrestricted Scheme Subsidiaries which indicates that the Unrestricted Scheme Subsidiaries had net current liabilities of RMB692,331,000 and net liabilities of RMB610,373,000 as of 31 December 2022. The Historical Financial Information of the Unrestricted Scheme Subsidiaries has been prepared by the Directors on a going concern basis, the validity of which depends upon on multiple factors, including: 1. the successful completion of the Group Reorganisation and approval of the Creditors' Scheme; 2. the Scheme Creditors of the Unrestricted Scheme Subsidiaries will not demand repayments from the Unrestricted Scheme Subsidiaries for the amounts due from the Unrestricted Scheme Subsidiaries as at 31 December 2022 and as at the date of the completion of the Group Reorganisation unless the Unrestricted Scheme Subsidiaries are in a financial position to pay; and 3. the continuing financial support from the SchemeCo for the next twelve months from 31 December 2022 within which the equity interests and assets realisation progress of the Unrestricted Scheme Subsidiaries will not be completed. In the absence of written confirmations provided by the SchemeCo and the Scheme Creditors, these conditions, along with other matters as set forth in Note 2 to the Report on Review of Historical Financial Information of the Unrestricted Scheme Subsidiaries, indicate the existence of material uncertainties which may cast significant doubt on the Unrestricted Scheme Subsidiaries' ability to continue as a going concern.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Unrestricted Scheme Subsidiaries for the relevant periods is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information of the Unrestricted Scheme Subsidiaries.

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
23 June 2023

Unaudited condensed combined statements of profit or loss and other comprehensive income of the Unrestricted Scheme Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue	116,118	–	11,356
Cost of sales	(198,138)	(43,514)	(124,893)
Gross loss	(82,020)	(43,514)	(113,537)
Other gains and losses	1,767	859	(100,481)
Selling and distribution expenses	(7,372)	(5,849)	(5,407)
Administrative expenses	(16,027)	(7,540)	(4,189)
Other expenses	(25,294)	(749)	(200)
Finance costs	(94,512)	(180,088)	(79,498)
Loss before taxation	(223,458)	(236,881)	(303,312)
Income tax credit/(expenses)	660	(6,002)	239
Loss for the year	(222,798)	(242,883)	(303,073)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations	23,088	16,581	(31,328)
Total comprehensive expense for the year	(199,710)	(226,302)	(334,401)

Unaudited condensed combined statements of financial position of the Unrestricted Scheme Subsidiaries

As at 31 December 2020, 2021 and 2022

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Non-currents Assets			
Property, plant and equipment	521	392	270
Guarantee deposits	77,738	75,518	81,688
Interest in an associate	–	–	–
Deferred tax assets	776	6,148	–
	79,035	82,058	81,958
Current Assets			
Properties under development/properties for sale	2,111,676	2,214,260	2,695,142
Other receivables and prepayments	95,801	116,565	73,346
Amounts due from the Retained Group	3,133,381	2,839,467	2,825,928
Amounts due from the Deconsolidated Subsidiaries	565,179	540,416	584,569
Prepaid income tax	54,676	55,876	54,087
Restricted bank deposits	1,664	1,664	1,664
Bank balances and cash	329,169	170,248	20,804
	6,291,546	5,938,496	6,255,540
Current Liabilities			
Trade and other payables and accruals	384,645	542,751	636,224
Contract liabilities	1,266,120	1,221,863	1,337,123
Tax payables	5,601	8,286	11,002
Amounts due to the Retained Group	3,599,297	3,315,976	3,392,209
Amounts due to the Deconsolidated Subsidiaries	584,920	478,349	559,396
Borrowings – due within one year	960,700	938,190	1,011,917
	6,801,283	6,505,415	6,947,871
Net Current Liabilities	(509,737)	(566,919)	(692,331)
Total Assets less Current Liabilities	(430,702)	(484,861)	(610,373)

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Capital and Reserves			
Share capital	306,539	306,539	306,539
Reserves	(743,339)	(803,153)	(916,912)
Total deficit	(436,800)	(496,614)	(610,373)
Non-current Liability			
Deferred tax liabilities	6,098	11,753	–
	(430,702)	(484,861)	(610,373)

Unaudited condensed combined statements of changes in equity of the Unrestricted Scheme Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

	Share capital	Capital contribution	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
At 1 January 2020	306,539	233,061	(275,761)	(561,798)	(297,959)
Loss for the year	–	–	–	(222,798)	(222,798)
Other comprehensive income for the year	–	–	23,088	–	23,088
Deemed contribution from the Retained Group	–	60,869	–	–	60,869
At 31 December 2020 and 1 January 2021	306,539	293,930	(252,673)	(784,596)	(436,800)
Loss for the year	–	–	–	(242,883)	(242,883)
Other comprehensive income for the year	–	–	16,581	–	16,581
Deemed contribution from the Retained Group	–	166,488	–	–	166,488
At 31 December 2021 and 1 January 2022	306,539	460,418	(236,092)	(1,027,479)	(496,614)
Loss for the year	–	–	–	(303,073)	(303,073)
Other comprehensive expense for the year	–	–	(31,328)	–	(31,328)
Deemed contribution from the Retained Group	–	220,642	–	–	220,642
At 31 December 2022	**306,539**	**681,060**	**(267,420)**	**(1,330,552)**	**(610,373)**

Unaudited condensed combined statements of cash flows of the Unrestricted Scheme Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Cash flows from operating activities			
Loss for before taxation	(223,458)	(236,881)	(303,312)
Adjustments:			
Depreciation of property, plant and equipment	148	129	122
Finance costs	94,512	180,088	79,498
Interest income	(1,342)	(746)	(167)
Impairment loss on properties under development/properties for sales	153,899	81,796	107,791
Provision for litigation	25,000	–	–
Operating cash flows before movements in working capital	48,759	24,386	(116,068)
Increase in properties under development/properties for sales	(138,539)	(17,892)	(368,031)
Decrease/(increase) in other receivables and prepayments	2,071	(20,764)	43,219
Increase/(decrease) in trade and other payables and accruals	54,870	158,106	57,225
Increase/(decrease) in contract liabilities	87,256	(44,257)	115,260
Changes in amounts due from/to the Retained Group and the Deconsolidated Subsidiaries	13,089	(71,215)	126,666
Cash generated from/(used in) operations	67,506	28,364	(141,729)
Income tax (paid)/refunded	(10,928)	(1,200)	1,789
Net cash from/(used in) operating activities	56,578	27,164	(139,940)
Net cash from an investing activity			
Interest received	1,342	746	167

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Cash flows from financing activities			
Interest paid	(94,512)	(180,088)	(1,143)
Repayment of borrowings	(52,959)	(22,510)	–
Addition of borrowings	–	–	620
Net cash used in financing activities	(147,471)	(202,598)	(523)
Net decrease in cash and cash equivalents	(89,551)	(174,688)	(140,296)
Cash and cash equivalents at the beginning of the year	379,260	329,169	170,248
Effect of foreign exchange rate changes	39,460	15,767	(9,148)
Cash and cash equivalents at the end of the year	329,169	170,248	20,804

Notes to the Historical Financial Information of the Unrestricted Scheme Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

1. General Information

Fullsun International Holdings Group Co., Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is incorporated in Bermuda as a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Room 1811, 18/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong. The principal activity of the Company is investment holding.

On 11 July 2022, the Company and the Subscriber entered into the conditional Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 1,307,019,402 Subscription Shares at the consideration of HK$168,000,000. The Subscription is subject to various conditions, which includes but not limited to the completion of the Group Reorganisation. Upon completion of the Group Reorganisation, equity interests and assets of the Unrestricted Scheme Subsidiaries will be transferred to the SchemeCo. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in this circular.

Upon completion of the Group Reorganisation, the Unrestricted Scheme Subsidiaries will cease to be subsidiaries of the Company with the exception of Shanghai Fuseng Real Estate Co., Ltd.* (上海福晟置業有限公司) ("**Shanghai Fuseng**") which will be retained as a 51% owned subsidiary.

The unaudited financial information has been prepared to present the combined financial information of the Unrestricted Scheme Subsidiaries (the "**Historical Financial Information of the Unrestricted Scheme Subsidiaries**") solely for the purpose of inclusion in this circular in connection with the Very Substantial Disposal in Relation to the Group Reorganisation by the Company.

Items included in the Historical Financial Information of the Unrestricted Scheme Subsidiaries are measured using the currency of the primary economic environment in which the entities operate (the "**functional currency**"), which is Renminbi. The Historical Financial Information of the Unrestricted Scheme Subsidiaries is presented in Renminbi ("**RMB**"), which is consistent with the Group's presentation currency and all values are rounded to the nearest thousands (RMB'000) except when otherwise indicated. The Historical Financial Information of the Unrestricted Scheme Subsidiaries is unaudited, unless otherwise stated.

2. Basis of Preparation and Presentation of the Historical Financial Information of the Unrestricted Scheme Subsidiaries

The Historical Financial Information includes the unaudited financial information of the Unrestricted Scheme Subsidiaries on a combined basis.

The Historical Financial Information of the Unrestricted Scheme Subsidiaries has been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Zhengzhou Fusheng Qianlong Industrial Co., Ltd.* (鄭州福晟錢隆實業有限公司) ("**Zhengzhou Fusheng**") was owned as to 100% by an unrestricted scheme subsidiary, Fuzhou Fusheng Group Co., Ltd.* (福州福晟集團有限公司) and was transferred to a subsidiary of the Retained Group, Chengrun (Fujian) Business Management Co., Ltd.* (成潤(福建)商業管理有限公司) on 17 September 2020.

Hunan Zhenghao Real Estate Development Co., Ltd. (湖南正昊置業發展有限公司) ("**Hunan Zhenghao**") was owned as to 100% by an unrestricted scheme subsidiary, Zhuohong (Fujian) Building Materials Trading Co., Ltd.* (卓弘(福建)建材貿易有限公司) and was transferred to a subsidiary of the Retained Group, Hunan Fusheng Real Estate Development Co., Ltd.* (湖南福晟房地產開發有限公司) on 29 June 2021.

Fujian Fusheng Investment Co., Ltd.* (福建福晟投資有限公司) ("**Fujian Fusheng**") was owned as to 100% by an unrestricted scheme subsidiary, Fuzhou Xuansheng Investment Co., Ltd.* (福州宣晟投資有限公司) ("**Fuzhou Xuansheng**") and was transferred to a subsidiary of the Retained Group, Fuzhou Shengchuang Investment Co., Ltd.* (福州勝創投資有限公司) ("**Fuzhou Shengchuang**") on 15 March 2022.

Fujian Fusheng Minchang Investment Co., Ltd.* (福建福晟閩長投資有限公司) ("**Fujian Fusheng Minchang**") was owned as to 100% by Fuzhou Xuansheng and was transferred to Fuzhou Shengchuang on 15 March 2022.

Hunan Fusheng Group Co., Ltd.* (湖南福晟集團有限公司) ("**Hunan Fusheng**") was owned as to 100% by Fuzhou Xuansheng and was transferred to Fuzhou Shengchuang on 18 March 2022.

Zhengzhou Fusheng, Hunan Zhenghao, Fujian Fusheng, Fujian Fusheng Minchang and Hunan Fusheng are hereinafter collectively referred to as the "**Excluded Companies**".

The unaudited financial information of the Excluded Companies for the Relevant Periods has not been incorporated in the Historical Financial Information of the Unrestricted Scheme Subsidiaries for the purpose of solely reflecting the unaudited financial information of the Unrestricted Scheme Subsidiaries that is relevant to the Group Reorganisation.

Prior to the deconsolidation of Gold Asset and Wise Think on 30 November 2021 as a consequence of the default of a borrowing of Vivalink, details of which are set out in Note 2 of the consolidated financial statements of the Company's annual report for the year ended 31 December 2021, Gold Asset and Wise Think were wholly-owned subsidiaries of Giant Astute. In addition, during the year ended 31 December 2022, the management of the Company, having considered actions taken by Receivers on Vivalink, including appointment of director, deemed the Group no longer control Vivalink and accordingly deconsolidated Vivalink on 1 January 2022. As Giant Astute is an unrestricted Scheme Subsidiary, for the purpose of presenting the unaudited financial information of the Unrestricted Scheme Subsidiaries only in the Historical Financial Information of the Unrestricted Scheme Subsidiaries, Gold Asset, Wise Think and Vivalink have been deemed as if they were deconsolidated on 1 January 2020.

Upon completion of the Group Reorganisation, equity interests and assets of the Unrestricted Scheme Subsidiaries will be transferred to the SchemeCo for the benefit of the Scheme Administrators to take steps to put the Unrestricted Scheme Subsidiaries into liquidation and/or to sell the equity interests and assets of the Unrestricted Scheme Subsidiaries as soon as practicable after the date on which the Creditors' Scheme becomes effective.

The Historical Financial Information of the Unrestricted Scheme Subsidiaries has been prepared by the Directors on a going concern basis, after given careful consideration to the future liquidity of the Unrestricted Scheme Subsidiaries, in light of the fact that the Unrestricted Scheme Subsidiaries had net current liabilities of RMB692,331,000 and net liabilities of RMB610,373,000 as of 31 December 2022, as the Directors believe: 1. the successful completion of the Group Reorganisation and approval of the Creditors' Scheme; 2. the Scheme Creditors of the Unrestricted Scheme Subsidiaries will not demand repayments from the Unrestricted Scheme Subsidiaries for the amounts due from the Unrestricted Scheme Subsidiaries as at 31 December 2022 and as at the date of the completion of the Group Reorganisation unless the Unrestricted Scheme Subsidiaries are in a financial position to pay; and 3. the continuing financial support from the SchemeCo for the next twelve months from 31 December 2022 within which the equity interests and assets realisation progress of the Unrestricted Scheme Subsidiaries will not be completed. Consequently, the Historical Financial Information of the Unrestricted Scheme Subsidiaries for the Relevant Periods have been prepared on a going concern basis.

Should the Unrestricted Scheme Subsidiaries be unable to continue its business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to reclassify non-current assets/liabilities as current assets/liabilities and to provide for any further liabilities which might arise.

For the purpose of preparing and presenting the financial information for the Relevant Periods, the Unrestricted Scheme Subsidiaries have consistently adopted the same accounting policies as set out in the annual report of the Company for the years ended 31 December 2020, 2021 and 2022.

The Historical Financial Information of the Unrestricted Scheme Subsidiaries has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Listing Rule and solely for the purpose of inclusion in this circular in connection with the Group Reorganisation. It does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "Presentation of Financial Statements" or an interim financial report as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA. It should be read in connection with the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022.

* *for identification purposes only*

PKF

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B. REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF THE DECONSOLIDATED SUBSIDIARIES

To the Directors of Fullsun International Holdings Group Co., Limited

Introduction

We were engaged to review the historical financial information set out on pages II-14 to II-25, which comprises the unaudited condensed combined statements of financial position of Gold Asset Investment Limited ("**Gold Asset**"), Wise Think Global Limited ("**Wise Think**") and Vivalink Limited ("**Vivalink**") (collectively the "**Deconsolidated Subsidiaries**") as at 31 December 2020, 2021 and 2022, and the unaudited condensed combined statements of profit or loss and other comprehensive income, unaudited condensed combined statements of changes in equity and unaudited condensed combined statements of cash flows for the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**") and explanatory notes (collectively the "**Historical Financial Information of the Deconsolidated Subsidiaries**") which have been prepared on the basis set out in Note 2 to the Historical Financial Information of the Deconsolidated Subsidiaries and paragraph 14.68(2)(a)(i)(A) of the Listing Rules. Unless the context otherwise requires, capitalised terms used in this report shall have the same meanings as defined in this circular.

The Directors are responsible for the presentation and preparation of the Historical Financial Information of the Deconsolidated Subsidiaries in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of the Deconsolidated Subsidiaries and paragraph 14.68(2)(a)(i)(A) of the Listing Rule. The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information of the Deconsolidated Subsidiaries that is free from material misstatement, whether due to fraud or error. The Historical Financial Information of the Deconsolidated Subsidiaries does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard ("**HKAS**") 1 "Presentation of Financial Statements" or an interim financial report as defined in HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibility is to express a conclusion on this Historical Financial Information of the Deconsolidated Subsidiaries based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We planned to conduct our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and with reference to Practice Note 750, "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the Historical Financial Information of the Deconsolidated Subsidiaries consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

However, because of the matters described in the "Basis for Disclaimer of Conclusion" section of our report, we were not able to carry out sufficient review procedures to provide a basis for a conclusion on the Historical Financial Information of the Deconsolidated Subsidiaries.

Basis for Disclaimer of Conclusion

Limited assess to books of account and records of the Deconsolidated Subsidiaries

Gold Asset and Wise Think were deconsolidated 30 November 2021 as a consequence of the default of a borrowing of Vivalink ("**Sure Valued Borrowing**"), details of which are set out in Note 2 of the consolidated financial statement of the Company's annual report for the year ended 31 December 2021. During the year ended 31 December 2022, the management of the Company, having considered actions taken by Receivers on Vivalink, including appointment of director and assets realisation of Gold Asset and Wise Think, deemed the Group no longer control Vivalink and accordingly, deconsolidation Vivalink, effective from 1 January 2022. Subsequent to the deconsolidation of the Deconsolidated Subsidiaries on 30 November 2021 and 1 January 2022, respectively, the Directors believes that due to limited assess to books of account and records available to the Company, it is almost impossible and nor practicable to ascertain the transactions and balances of Gold

Asset and Wise Think in respect of the year ended 31 December 2021 and 2022 as well as the transactions and balances of Vivalink in respect of the year ended 31 December 2022 included in this Historical Financial Information of the Deconsolidated Subsidiaries. In this connection, no representation is made by the Directors as to the completeness, existence and accuracy of the transactions and balances, and whether the Historical Financial Information of the Deconsolidated Subsidiaries has been prepared in accordance with HKAS 34 and in compliance with the paragraph 14.68(2)(a)(i)(A) of the Listing Rule.

Material Uncertainties Related to Going Concern

The Directors expects that equity interests and assets of each of the Deconsolidated Subsidiaries, which subject to enforcement actions with Receivers appointed, will be realised and apply to settle the Sure Valued Borrowing in priority. Any residual value in the Deconsolidated Subsidiaries that may be returned from the Receivers after the conclusion of the enforcement actions by the Receivers will be transferred to a holding company deployed by the Scheme Administrators (the "**SchemeCo**") which is conditionally to the consent from the Receivers.

As disclosed in Note 2 to the Historical Financial Information of the Deconsolidated Subsidiaries which indicates that the Deconsolidated Subsidiaries had net current liabilities of RMB379,951,000 and net liabilities of RMB371,102,000 as of 31 December 2022. The Historical Financial Information of the Deconsolidated Subsidiaries has been prepared by the Directors on a going concern basis, the validity of which depends upon on multiple factors, including: 1. the successful completion of the Group Reorganisation and approval of the Creditors' Scheme; 2. the Receivers, lenders or assignee of the Sure Valued Borrowing and the Harbor Sure Borrowing will not demand repayments from the Deconsolidated Subsidiaries of the Sure Valued Borrowing and the Harbor Sure Borrowing as at 31 December 2022 and as at the date of the completion of the Group Reorganisation unless the Deconsolidated Subsidiaries are in a financial position to pay; and 3. the continuing financial support from the Receivers or the SchemeCo for the next twelve months from 31 December 2022 within which the equity interests and assets realisation progress of the Deconsolidated Subsidiaries will not be completed. In the absence of written confirmations provided by the Receivers, lenders and assignee of the Sure Valued Borrowing and the Harbor Sure Borrowing, these conditions, along with other matters as set forth in Note 2 to the Historical Financial Information of the Deconsolidated Subsidiaries, indicate the existence of material uncertainties which may cast significant doubt on the Deconsolidated Subsidiaries' ability to continue as a going concern.

Disclaimer of Conclusion

Because of the significance of the matters described in the "Basis for Disclaimer of Conclusion" section of our report, we were unable to carry out sufficient review procedures to provide a basis for a conclusion on the Historical Financial Information of the Deconsolidated Subsidiaries. Accordingly, we do not express a conclusion on the Historical Financial Information of the Deconsolidated Subsidiaries.

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
23 June 2023

Unaudited condensed combined statements of profit or loss and other comprehensive income of the Deconsolidated Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue	139,113	182,964	180,421
Cost of sales	(245,559)	(243,472)	(250,275)
Gross loss	(106,446)	(60,508)	(69,854)
Other gains and losses	5,733	3,462	(15,132)
Selling and distribution expenses	(17,253)	(16,779)	(14,884)
Administrative expenses	(2,474)	(8,133)	(583)
Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")	–	194	208
Other expenses	(36)	–	–
Loss on disposal of a subsidiary	–	(52,537)	–
Finance costs	(82,308)	(61,356)	(33,448)
Loss before taxation	(202,784)	(195,657)	(133,693)
Income tax expense	–	–	–
Loss for the year	(202,784)	(195,657)	(133,693)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign options	(4,399)	(1,069)	1,539
Total comprehensive expense for the year	(207,183)	(196,726)	(132,154)

Unaudited condensed combined statements of financial position of the Deconsolidated Subsidiaries

As at 31 December 2020, 2021 and 2022

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Non-currents Asset			
Financial assets at FVTPL	–	7,987	8,849
Current Assets			
Properties under development/properties for sale	606,590	353,410	124,886
Trade and other receivables and prepayments	18,256	62,154	2,294
Amounts due from the Retained Group	225,695	–	–
Amounts due from the Unrestricted Scheme Subsidiaries	584,912	478,349	559,396
Bank balances and cash	154	895	64
	1,435,607	894,808	686,640
Current Liabilities			
Trade and other payables and accruals	27,085	41,532	32,871
Contract liabilities	3,547	914	–
Tax payables	–	310	–
Amounts due to the Retained Group	89,900	228,086	246,434
Amounts due to the Unrestricted Scheme Subsidiaries	565,179	540,416	584,569
Borrowings – due within one year	792,118	330,485	202,717
	1,477,829	1,141,743	1,066,591
Net Current Liabilities	(42,222)	(246,935)	(379,951)
Total Assets less Current Liabilities	(42,222)	(238,948)	(371,102)
Capital and Reserves			
Share capital	305	305	305
Reserves	(42,527)	(239,253)	(371,407)
Total deficit	(42,222)	(238,948)	(371,102)

Unaudited condensed combined statements of changes in equity of the Deconsolidated Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

	Share capital	Capital reserve	Other reserve	Capital contribution	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2020	305	(518,960)	61,295	46,652	(3,354)	579,023	164,961
Loss for the year	–	–	–	–	–	(202,784)	(202,784)
Other comprehensive expense for the year	–	–	–	–	(4,399)	–	(4,399)
At 31 December 2020 and 1 January 2021	305	(518,960)	61,295	46,652	(7,753)	376,239	(42,222)
Loss for the year	–	–	–	–	–	(195,657)	(195,657)
Other comprehensive expense for the year	–	–	–	–	(1,069)	–	(1,069)
At 31 December 2021 and 1 January 2022	305	(518,960)	61,295	46,652	(8,822)	180,582	(238,948)
Loss for the year	–	–	–	–	–	(133,693)	(133,693)
Other comprehensive income for the year	–	–	–	–	1,539	–	1,539
At 31 December 2022	**305**	**(518,960)**	**61,295**	**46,652**	**(7,283)**	**46,889**	**(371,102)**

Unaudited condensed combined statements of cash flows of the Deconsolidated Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**
Cash flows from operating activities			
Loss for before taxation	(202,784)	(195,657)	(133,693)
Adjustments:			
Change in fair value of financial assets at FVTPL	–	(194)	(208)
Finance costs	82,308	48,802	33,448
Impairment loss on properties under development/properties for sales	80,008	61,356	–
Operating cash flows before movements in working capital	(40,468)	(85,693)	(100,453)
Decrease in properties under development/properties for sales	193,702	204,378	228,524
(Increase)/decrease in trade and other receivables and prepayments	(16,568)	(43,898)	59,860
(Decrease)/increase in trade and other payables and accruals	(3,054)	15,240	(8,971)
Increase/(decrease) in contract liabilities	3,547	(2,633)	(914)
Changes in amounts due from/to the Retained Group and the Unrestricted Scheme Subsidiaries	125,523	436,819	(17,007)
Net cash from operating activities	262,682	524,213	161,039
Cash flows from financing activities			
Repayment of borrowings	(180,380)	(461,633)	(127,768)
Interest paid	(82,308)	(61,356)	(33,448)
Net cash used in financing activities	(262,688)	(522,989)	(161,216)
Net (decrease)/increase in cash and cash equivalents	(6)	1,224	(177)
Cash and cash equivalents at the beginning of the year	160	154	895
Effect of foreign exchange rate changes	–	(483)	(654)
Cash and cash equivalents at the end of the year	154	895	64

Notes to the Historical Financial Information of the Deconsolidated Subsidiaries

For the years ended 31 December 2020, 2021 and 2022

1. General Information

Fullsun International Holdings Group Co., Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is incorporated in Bermuda as a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Room 1811, 18/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong. The principal activity of the Company is investment holding.

On 11 July 2022, the Company and the Subscriber entered into the conditional Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 1,307,019,402 Subscription Shares at the consideration of HK$168,000,000. The Subscription is subject to various conditions, which includes but not limited to the completion of the Group Reorganisation. Upon completion of the Group Reorganisation, equity interests and assets of each of the Deconsolidated Subsidiaries, which subject to enforcement actions with Receivers appointed, will be realised and apply to settle the Sure Valued Borrowing in priority. Any residual value in the Deconsolidated Subsidiaries which may be returned from the Receivers after the conclusion of the enforcement actions by the Receivers will be transferred the SchemeCo. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in this circular.

Upon completion of the Group Reorganisation, any residual interests in the Deconsolidated Subsidiaries will be derecognised.

The unaudited financial information has been prepared to present the combined financial information of the Deconsolidated Subsidiaries (the "**Historical Financial Information of the Deconsolidated Subsidiaries**") solely for the purpose of inclusion in this circular in connection with the Very Substantial Disposal in Relation to the Group Reorganisation by the Company.

Items included in the Historical Financial Information of the Deconsolidated Subsidiaries are measured using the currency of the primary economic environment in which the entities operate (the "**functional currency**"), which is Renminbi. The Historical Financial Information of the Deconsolidated Subsidiaries is presented in Renminbi ("**RMB**"), which is consistent with the Group's presentation currency and all values are rounded to the nearest thousands (RMB'000) except when otherwise indicated. The Historical Financial Information of the Deconsolidated Subsidiaries is unaudited, unless otherwise stated.

2. Basis of Preparation and Presentation of the Historical Financial Information of the Deconsolidated Subsidiaries

The Historical Financial Information includes the unaudited financial information of the Deconsolidated Subsidiaries on a combined basis.

The Historical Financial Information of the Deconsolidated Subsidiaries has been prepared under the historical cost convention except for certain financial asset which is measured at fair value at the end of each Relevant Periods. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Directors noted that the financial information in respect of the Deconsolidated Subsidiaries that is available to them may not be complete and sufficient to establish an accurate and reliable view of the transactions and balances of Gold Asset and Wise Think in respect of the years ended 31 December 2021 and 2022 as well as the transactions and balances of Vivalink in respect of the year ended 31 December 2022 and may contain significant errors when preparing the condensed combined statements of financial position, condensed combined statements of profit or loss and other comprehensive income, condensed combined statements of changes in equity and condensed combined statements of cash flows of the Deconsolidated Subsidiaries. Given the circumstance of limited assess to books of account and records of the Deconsolidated Subsidiaries available to the Company, the Directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the unaudited Historical Financial Information of the Deconsolidated Subsidiaries. In this connection, no representation is made by the Directors as to the completeness, existence and accuracy of the transactions and balances, and whether the Historical Financial Information of the Deconsolidated Subsidiaries has been prepared in accordance with HKAS 34 and in compliance with the paragraph 14.68(2)(a)(i)(A) of the Listing Rule.

Upon completion of the Group Reorganisation, equity interests and assets of each of the Deconsolidated Subsidiaries, which subject to enforcement actions with Receivers appointed, will be realised and apply to settle the Sure Valued Borrowing in priority. Any residual value in the Deconsolidated Subsidiaries that may be returned from the Receivers after the conclusion of the enforcement actions by the Receivers will be transferred the SchemeCo which is conditionally to the consent from the Receivers.

The Historical Financial Information of the Deconsolidated Subsidiaries has been prepared by the Directors on a going concern basis, after given careful consideration to the future liquidity of the Deconsolidated Subsidiaries, in light of the fact that the Deconsolidated Subsidiaries had net current liabilities of RMB379,951,000 and net liabilities of RMB371,102,000 as of 31 December 2022, as the Directors believe: 1. the successful completion of the Group Reorganisation and approval of the Creditors' Scheme; 2. the Receivers, lenders or assignee of the Sure Valued Borrowing and the Harbor Sure Borrowing will not demand repayments from the Deconsolidated Subsidiaries of the Sure Valued Borrowing and the Harbor Sure Borrowing as at 31 December 2022 and the amounts as at the date of the completion of the Group Reorganisation unless the Deconsolidated Subsidiaries are in a financial position to pay; and 3. the continuing financial support from the Receivers or the SchemeCo for the next twelve months from 31 December 2022 within which the equity interests and assets realisation progress of the Deconsolidated Subsidiaries will not be completed. Consequently, the Historical Financial Information of the Deconsolidated Subsidiaries for the Relevant Periods have been prepared on a going concern basis.

Should the Deconsolidated Subsidiaries be unable to continue its business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to reclassify non-current asset as current asset and to provide for any further liabilities which might arise.

For the purpose of preparing and presenting the financial information for the Relevant Periods, the Deconsolidated Subsidiaries have consistently adopted the same accounting policies as set out in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022.

The Historical Financial Information of the Deconsolidated Subsidiaries has been prepared solely for the purpose of inclusion in this circular in connection with the Group Reorganisation. It does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "Presentation of Financial Statements" or an interim financial report as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA. It should be read in connection with the annual report of the Company for the years ended 31 December 2020, 2021 and 2022.

The following is the text of a report on the unaudited pro forma financial information of the Retained Group received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PKF

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A. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Fullsun International Holdings Group Co., Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fullsun International Holdings Group Co., Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding the Scheme Subsidiaries as defined in this circular by the Directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-19 in this circular issued by the Company dated 23 June 2023, in connection with the Very Substantial Disposal in Relation to Transfer of the Scheme Subsidiaries to the SchemeCo Pursuant to Creditors' Scheme (the "**Group Reorganisation**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-5.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Group Reorganisation on the Group's financial position as at 31 December 2022 and the Group's financial performance and cash flows for the year ended 31 December 2022 as if the Group Reorganisation had taken place at 31 December 2022 and 1 January 2022, respectively. As part of this process, information about the Group's financial position as at 31 December 2022, financial performance and cash flows for the year ended 31 December 2022 has been extracted by the Directors from the published annual report of the Company for the year ended 31 December 2022.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1 "Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Group Reorganisation at 31 December 2022 or 1 January 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
23 June 2023

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of Fullsun International Holdings Group Co., Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding the Scheme Subsidiaries, which comprised of the Unrestricted Scheme Subsidiaries and the Deconsolidated Subsidiaries as defined in Appendix II in this circular (collectively the "**Retained Group**") (the "**Unaudited Pro Forma Financial Information**"), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, in connection with the Very Substantial Disposal in Relation to Transfer of the Scheme Subsidiaries to the SchemeCo Pursuant to Creditors' Scheme (the "**Group Reorganisation**") as if the Group Reorganisation had taken place on 31 December 2022 for the unaudited pro forma consolidated statement of financial position, and 1 January 2022 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, respectively.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2022 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 2022 and (ii) the Historical Financial Information of the Unrestricted Scheme Subsidiaries and the Deconsolidated Subsidiaries as set out in Appendix II in this circular, respectively. The Unaudited Pro Forma Financial Information of the Retained Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Group Reorganisation that are (i) directly attributable to the Group Reorganisation; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Retained Group as at 31 December 2022 or at any future date, or the financial performance and cash flows of the Retained Group for the year ended 31 December 2022 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published annual report of the Company for the year ended 31 December 2022 and the Historical Financial Information of the Unrestricted Scheme Subsidiaries and the Deconsolidated Subsidiaries as set out in Appendix II in this circular and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Retained group

	Consolidated statement of financial position of the Group as at 31 December 2022	Pro forma adjustments					Unaudited pro forma consolidated statement of financial position of the Retained Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2(a))*	*(Note 2(b))*	*(Note 2(c))*	*(Note 2(d))*	*(Note 2(e))*	
Non-Current Assets							
Property, plant and equipment	21,481	(270)	–	–	–	–	21,211
Right-of-use assets	20,831	–	–	–	–	–	20,831
Investment properties	657,490	–	–	–	–	–	657,490
Equity instrument designated at fair value through other comprehensive income ("**FVTOCI**")	500	–	–	–	–	–	500
Deferred tax assets	131,844	–	–	–	–	–	131,844
Total Non-Current Assets	832,146						831,876
Current Assets							
Properties under development/properties for sale	5,901,290	(2,695,142)	–	–	–	–	3,206,148
Trade and other receivables and prepayments	1,036,054	(155,032)	(393,507)	–	–	3,392,209	3,879,724
Amounts due from non-controlling shareholders	284,362	–	–	–	–	–	284,362
Prepaid income tax	177,684	(54,087)	–	–	–	–	123,597
Restricted bank deposits	10,448	(1,664)	–	–	–	–	8,784
Bank balances and cash	183,449	(20,804)	–	–	–	(28,585)	134,060
	7,593,287						7,636,675
Interests in the Deconsolidated Subsidiaries	22,714	–	(22,714)	–	–	–	–
Total Current Assets	7,616,001						7,636,675

	Consolidated statement of financial position of the Group as at 31 December 2022	Pro forma adjustments					Unaudited pro forma consolidated statement of financial position of the Retained Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2(a))*	*(Note 2(b))*	*(Note 2(c))*	*(Note 2(d))*	*(Note 2(e))*	
LIABILITIES							
Current Liabilities							
Trade and other payables and accruals	3,088,388	(837,425)	(559,396)	(7,068)	–	2,372,000	4,056,499
Contract liabilities	1,722,401	(1,337,123)	–	–	–	–	385,278
Income tax payable	410,563	(11,002)	–	–	–	–	399,561
Borrowings – due within one year	2,695,270	(1,011,917)	–	(8,889)	–	–	1,674,464
Total Current Liabilities	7,916,622						6,515,802
Net Current (Liabilities)/Assets	(300,621)						1,120,873
Total Assets less Current Liabilities	531,525						1,952,749
Capital and Reserves							
Share capital	96,031	–	–	–	–	–	96,031
Reserves	(769,276)	270,468	143,175	24,801	43,303	991,624	704,095
(Deficit)/equity attributable to owners of the Company	(673,245)						800,126
Non-controlling interests	900,579	–	–	–	(43,303)	–	857,276
Total Equity	227,334						1,657,402
Non-Current Liabilities							
Borrowings – due after one year	8,844	–	–	(8,844)	–	–	–
Deferred tax liabilities	295,347	–	–	–	–	–	295,347
Total Non-Current Liabilities	304,191						295,347
	531,525						1,952,749

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

Retained Group

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Retained Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	
Revenue					
Contracts with customers	1,793,263	(11,356)	–	–	1,781,907
Leases	500	–	–	–	500
Total revenue	1,793,763				1,782,407
Cost of sales	(2,093,759)	124,893	–	–	(1,968,866)
Gross loss	(299,996)				(186,459)
Other income	10,462	(201)	–	–	10,261
Other gains and losses	(83,194)	100,682	–	–	17,488
Selling and distribution expenses	(42,822)	5,407	–	–	(37,415)
Administrative expenses	(55,610)	4,189	–	–	(51,421)
Change in fair value of investment properties	(36,881)	–	–	–	(36,881)
Change in fair value of interests in the Deconsolidated Subsidiaries	(13,397)	13,397			–
Impairment losses	(283,578)	–	–	–	(283,578)
Other expenses	(722)	200	–	–	(522)
Gain on deconsolidation of a subsidiary	263,251	–	–	(263,251)	–
Gain on the Group Reorganisation	–	–	–	1,084,499	1,084,499
Finance costs	(136,954)	79,498	–	–	(57,456)
(Loss)/profit before taxation	(679,441)	–			458,516
Income tax expense	(53,397)	(239)	–	–	(53,636)

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Retained Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	
(Loss)/profit for the year	(732,838)				404,880
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations	3,716	–	–	–	3,716
Release of translation reserve upon disposal of a subsidiary	8,110	–	–	–	8,110
Other comprehensive income for the year	11,826				11,826
Total comprehensive (expense)/income for the year	(721,012)				416,706
(Loss)/profit for the year attributable to:					
Owners of the Retained Group	(663,554)	316,470	4,686	821,248	478,850
Non-controlling interests	(69,284)	–	(4,686)	–	(73,970)
	(732,838)				404,880
Total comprehensive (expense)/income attributable to:					
Owners of the Retained Group	(651,728)	316,470	4,686	821,248	490,676
Non-controlling interests	(69,284)	–	(4,686)	–	(73,970)
	(721,012)				416,706

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Retained Group

	Consolidated statement of cash flows of the Group for the year ended 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Retained Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(c))*	
OPERATING ACTIVITIES				
(Loss)/profit before taxation	(679,441)	403,312	1,084,499	808,370
Adjustments for:				
Gain on deconsolidation of a subsidiary	(263,251)		263,251	–
Gain on the Group Reorganisation	–		1,084,499	1,084,499
Depreciation of property, plant and equipment	1,598	(122)		1,476
Depreciation of right-of-use assets	792			792
Loss on disposal and written off of property, plant and equipment	5			5
Gain on termination of lease	(10)			(10)
Finance costs	136,954	(79,498)		57,456
Interest income	(5,828)	167		(5,661)
Exchange loss	83,194			83,194
Change in fair value of investment properties	36,881			36,881
Change in fair value of the interests in the Deconsolidated Subsidiaries	13,397	(13,397)		–
Impairment loss on properties under development/properties for sales	184,957	(107,791)		77,166
Impairment losses on other receivables	21,428			21,428
Impairment losses on amounts due from non-controlling shareholders, net of reversal	(9,456)			(9,456)
Impairment losses on amounts due from the Deconsolidated Subsidiaries	271,606			271,606
Operating cash flows before movements in working capital	(207,174)			258,748
Decrease in properties under development/ properties for sale	1,507,592	368,031		1,875,623
Increase in trade and other receivables, and prepayments	(747,644)	(169,885)		(917,529)
Increase in trade and other payables, and accruals	958,635	(57,225)		901,410
Decrease in contract liabilities	(1,691,683)	(115,260)		(1,806,943)

	Consolidated statement of cash flows of the Group for the year ended 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Retained Group for the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3(a))*	*(Note 3(c))*	
Cash (used in)/generated from operations	(180,274)			311,309
Income tax paid	(30,994)	(1,789)		(32,783)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(211,268)			278,526
INVESTING ACTIVITIES				
Withdrawal of restricted bank deposits	189,887			189,887
Interest received	5,828	(167)		5,661
Proceeds from disposal of property, plant and equipment	101			101
Net cash outflow from deconsolidation of a subsidiary	(892)	892		–
Additions of restricted bank deposits	(2,691)			(2,691)
NET CASH FROM INVESTING ACTIVITIES	192,233			192,958
FINANCING ACTIVITIES				
Repayment of borrowings	(109,822)			(109,822)
Interest paid	(16,670)	1,143		(15,527)
Repayment of leases liabilities	(125)			(125)
Additions of borrowings	51,510	(620)		50,890
NET CASH USED IN FINANCING ACTIVITIES	(75,107)			(74,584)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(94,142)			396,900
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	277,348	(170,248)		107,100
EXCHANGE OF FOREIGN EXCHANGE RATE CHANGES	243	9,148		9,391
	183,449			513,391

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP

1. The amounts are extracted from the consolidated statement of financial position of the Group as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2022 as extracted from the published Annual Report of the Company for the year ended 31 December 2022.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Group Reorganisation had taken place on 31 December 2022:

   (a) The adjustment represents the derecognition of assets and liabilities of the Unrestricted Scheme Subsidiaries (including principal and interest payable of the Profound Success Borrowing of RMB1,514,144,000), resulting in net amount of RMB270,468,000 recognised on the gain of the Group Reorganisation, assuming the Group Reorganisation had taken place on 31 December 2022. The assets and liabilities of the Unrestricted Scheme Subsidiaries are extracted from the unaudited combined statement of financial position of the Unrestricted Scheme Subsidiaries as at 31 December 2022 as set out in Appendix II-A in this circular and further adjusted to:

      (i) reverse the 49% equity interest of 上海福晟置業有限公司 (“**Shanghai Fusheng**”) and its subsidiaries as at 31 December 2022 recognised as “interest in an associate” amounting to RMBnil since the Group’s interest in associate is insignificant in the unaudited combined statement of financial position of the Unrestricted Scheme Subsidiaries as at 31 December 2022 as set out in Appendix II-A in this circular;

      (ii) consolidate the assets and liabilities of Shanghai Fusheng and its subsidiaries as at 31 December 2022 in the unaudited pro forma consolidated statement of financial position as subsidiaries of the Retained Group; and

      (iii) exclude all intercompany balances between the Retained Group and the Unrestricted Scheme Subsidiaries as at 31 December 2022.

   (b) The adjustment represents the derecognition of (i) interests in the Deconsolidated Subsidiaries of RMB22,714,000 and (ii) amounts due from and to the Deconsolidated Subsidiaries to the extent of RMB393,507,000 and RMB559,396,000, respectively as at 31 December 2022, which represents the derecognition of amounts due from and to the Deconsolidated Subsidiaries with the Unrestricted Scheme Subsidiaries only. Consequentially, amounts due from and to the Deconsolidated Subsidiaries, with the Retained Group will be retained on the pro forma statement of financial position of the Retained Group, resulting in gain on the Group Reorganisation since all intercompany balances between the Retained Group and the Deconsolidated Subsidiaries will not be mutually released upon completion of the Group Reorganisation. The amounts are extracted from the consolidated statement of financial position as at 31 December 2022 as set out in the published Annual Report of the Company for the year ended 31 December 2022.

(c) Upon completion of the Group Reorganisation, all claims owing by the Company or guaranteed by the Company and the Co-Obligors or secured by the assets of the Co-Obligors to the Creditors shall be discharged. All Scheme Creditors shall discharge and waive all its claims against the Company and the Co-Obligors.

The amounts totalling to RMB2,222,408,000 as at 31 December 2022 (of which (i) RMB229,535,000 has already been derecognised in the Company's 2022 Annual Report upon the deconsolidation of Vivalink Limited (Note 35(B) to the consolidated financial statements) on 1 January 2022, (ii) RMB1,514,144,000 has already been derecognised within Note 2(a) and (iii) RMB453,928,000 are intercompany balances which have been eliminated within the Group). The remaining amounts to be discharged of RMB24,801,000 represents the impact on gain on the Group Reorganisation is included in Note 2(e) assuming the Group Reorganisation had taken place on 31 December 2022 for the unaudited pro forma consolidated statement of financial position.

The amounts totalling to RMB1,922,847,000 as at 1 January 2022 (of which (i) RMB210,142,000 has already been derecognised upon the deconsolidation of Vivalink Limited on 1 January 2022, (ii) RMB1,399,951,000 has already been derecognised within Note 3(c)(ii) and (iii) RMB289,893,000 are intercompany balances which have been eliminated within the Group). The remaining amounts to be discharged of RMB22,861,000 represents the impact on gain on the Group Reorganisation is included in Note 3(c) assuming the Group Reorganisation had taken place on 1 January 2022 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

(d) As mentioned in Note 2(a)(ii), upon completion of the Group Reorganisation, Shanghai Fusheng and its subsidiaries would retain in the Retained Group as indirectly non-wholly owned subsidiaries. The adjustment represents the recognition of the corresponding 49% non-controlling interests of Shanghai Fusheng of RMB43,303,000 as at 31 December 2022. The impact on gain of the Group Reorganisation is included in Note 2(e), assuming the Group Reorganisation had taken place on 31 December 2022.

(e) The adjustment represents the estimated pro forma gain of RMB1,198,667,000 and estimated net cash outflow of RMBnil from the Group Reorganisation assuming the Group Reorganisation had taken place on 31 December 2022 and are calculated as follows:

		RMB'000
Consideration	*Note (i)*	–
Add: Net liabilities of the Unrestricted Scheme Subsidiaries as at 31 December 2022	*Note 2(a)*	270,468
Derecognition of interests in the Deconsolidated Subsidiaries and amounts due from and to the Deconsoliated Subsidiaries as at 31 December 2022	*Note 2(b)*	143,175
Discharge of claims owing by the Retained Group pursuant to the Group Reorganisation	*Note 2(c)*	24,801
Recognition of non-controlling interests of non-wholly owned subsidiaries	*Note 2(d)*	43,303
Recognition of amounts due from and to the Unrestricted Scheme Subsidiaries	*Note (ii)*	1,020,209
Less: Release of exchange reserve of the Scheme Subsidiaries	*Note (iii)*	(274,704)
Estimated transaction costs attributable to the Group Reorganisation	*Note (iv)*	(28,585)
Estimated net gain on the Group Reorganisation		1,198,667
Consideration received in cash	*Note (i)*	–
Estimated transaction costs attributable to the Group Reorganisation	*Note (iv)*	–
Estimated net cash outflow from the Group Reorganisation		–

Notes:

(i) The Target Shares will be transferred to the SchemeCo pursuant to the Group Reorganisation at nil consideration, no proceeds will be derived by the Group from the Group Reorganisation.

(ii) The net amount of RMB1,020,209,000 represents the carrying amounts of amounts due from and to the Unrestricted Scheme Subsidiaries of RMB3,392,209,000 and RMB2,372,000,000 as at 31 December 2022 and the impact on gain on the Group Reorganisation, which are extracted from the unaudited combined statement of financial position of the Unrestricted Scheme Subsidiaries as at 31 December 2022 set out in the Appendix-IIA in this circular. All intercompany balances between the Retained Group and the Scheme Subsidiaries (except for amounts due to the Scheme Subsidiaries of RMB453,928,000) will not be mutually released upon the completion of the Group Reorganisation. Accordingly, any amounts due from and to the Unrestricted Scheme Subsidiaries shall be retained upon completion of the Group Reorganisation.

(iii) The amount of RMB274,704,000 represents the release of exchange reserve of the Scheme Subsidiaries as at 31 December 2022 to profit or loss as a result of the Group Reorganisation.

(iv) The estimated transaction costs attributable to the Group Reorganisation represent the costs and expenses directly incurred for the Group Reorganisation, which will be borne by the Group and are assumed to be settled in cash at an aggregate amount of approximately HK$32,000,000 (equivalent to approximately RMB28,585,000).

(f) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Retained Group.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows, assuming the Group Reorganisation had taken place on 1 January 2022:

   (a) The adjustment represents the exclusion of the financial performance and cash flows of the Unrestricted Scheme Subsidiaries for the year ended 31 December 2022, assuming the Group Reorganisation had taken place on 1 January 2022. The profit and loss and other comprehensive income and cash flows of the Unrestricted Scheme Subsidiaries are extracted from the unaudited combined statement of profit or loss and other comprehensive income and unaudited combined statement of cash flows of the Unrestricted Scheme Subsidiaries for the year ended 31 December 2022 as set out in Appendix II of this circular and further adjusted to:

      (i) reverse the share of results of Shanghai Fusheng and its subsidiaries for the year ended 31 December 2022 recognised as "share of result of an associate" which amounting RMBnil in the unaudited combined statement of profit or loss and other comprehensive income and unaudited combined statement of cash flows of the Unrestricted Scheme Subsidiaries as at 31 December 2022 as set out in Appendix II-A in this circular since the Group discontinues to recognise the share of loss of associate when the Group's share of loss of associate exceeds its interest in an associate, which was RMBnil as at 1 January 2022; and

      (ii) recognise financial performance and cash flows of Shanghai Fusheng and its subsidiaries for the year ended 31 December 2022 in the unaudited pro forma consolidated profit or loss and other comprehensive income and the unaudited consolidated statement of cash flows assuming Shanghai Fusheng is a 51% owned subsidiaries of the Retained Group.

   (b) As mentioned in Note 3(a)(ii), upon completion of the Group Reorganisation, Shanghai Fusheng and its subsidiaries would retain in the Retained Group as indirectly non-wholly owned subsidiaries. The adjustment represents the recognition of the share of results by the corresponding non-controlling interests of RMB4,686,000 for the year ended 31 December 2022 and the impact on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group, assuming the Group Reorganisation had taken place on 1 January 2022.

(c) The adjustment represents the estimated pro forma gain of RMB1,185,701,000 and estimated net cash outflow of RMBnil from the Group Reorganisation assuming the Group Reorganisation had taken place on 1 January 2022 and are calculated as follows:

		RMB'000
Consideration	*Note (i)*	–
Add: Discharge of claims owing by the Retained Group pursuant to the Group Reorganisation	*Note 2(c)*	22,861
Recognition of non-controlling interests of non-wholly owned subsidiaries	*Note 3(d)*	38,618
Net liabilities of the Unrestricted Scheme Subsidiaries as at 1 January 2022	*Note (ii)*	82,172
Gain on Deconsolidation of Vivalink	*Note (iv)*	472,819
Recognition of amounts due from and to the Unrestricted Scheme Subsidiaries	*Note (v)*	766,402
Less: Derecognition of interests in the Deconsolidated Subsidiaries (Gold Assets and Wise Think) as at 1 January 2022	*Note (iii)*	(36,111)
Release of exchange reserve of the Scheme Subsidiaries	*Note (vi)*	(236,092)
Estimated transaction costs attributable to the Group Reorganisation	*Note (vii)*	(26,170)
Estimated net gain on the Group Reorganisation		1,084,499
Consideration received in cash	*Note (i)*	–
Estimated transaction costs attributable to the Group Reorganisation	*Note (vii)*	–
Estimated net cash outflow from the Group Reorganisation		–

Notes:

(i) The Target Shares will be transferred to the SchemeCo pursuant to the Group Reorganisation at nil consideration, no proceeds will be derived by the Group from the Group Reorganisation.

(ii) The amount of RMB82,172,000 represents the carrying amount of net liabilities of the Unrestricted Scheme Subsidiaries as at 1 January 2022 and the impact on gain on the Group Reorganisation, which is extracted from the unaudited combined statement of financial position of the Unrestricted Scheme Subsidiaries as at 31 December 2021 as set out in Appendix II in this circular, after excluding all intercompany balances with the Retained Group and the Deconsolidated Subsidiaries and adjusted for the effect of transactions mentioned in Notes 3(a)(i) and (ii).

(iii) The adjustment represents the derecognition of interests in the Deconsolidated Subsidiaries of Gold Assets and Wise Think for the amount of RMB36,111,000 as at 1 January 2022, resulting in gain on the Group Reorganisation in Note 3(c). The amounts are extracted from the consolidated statement of financial position as at 31 December 2021 as set out in the published Annual Report of the Company for the year ended 31 December 2021.

(iv) Vivalink was deconsolidated on 1 January 2022 and gain on deconsolidation of Vivalink was RMB263,251,000 according to Note 35(b) of the consolidated financial statements of the published Annual Report of the Company for the year ended 31 December 2022. Furthermore, pursuant to breakdown of net liabilities of Vivalink as disclosed in Note 35(b), amounts due from the Scheme Subsidiaries of RMB478,349,000 and amounts due to the Deconsolidated Subsidiaries (Gold Assets and Wise Think) totalling RMB268,781,000, respectively shall be excluded for the purpose of pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows because intercompany balances between Scheme Subsidiaries are irrelevant for the calculation of the gain on the Group Reorganisation so far as the Retained Group is concerned. Accordingly, additional gain of RMB209,568,000 shall be recognised from the Deconsolidation of Vivalink.

In addition, gain on deconsolidation of Vivalink of RMB263,251,000 recognised in the consolidated financial statements of the 2022 published Annual Report of the Company shall be reclassified as "Gain on the Group Reorganisation".

Accordingly, total gain on deconsolidation of Vivalink shall be RMB472,819,000 for the purpose of pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows.

(v) The net amount of RMB766,402,000 represents the carrying amounts of amounts due from and to the Unrestricted Scheme Subsidiaries of RMB3,315,976,000 and RMB2,549,574,000 respectively as at 1 January 2022 and the impact on gain on the Group Reorganisation, which are extracted from the unaudited combined statements of financial position of the Unrestricted Scheme Subsidiaries as at 31 December 2021 set out in this circular. All inter company balances between the Retained Group and the Unrestricted Scheme Subsidiaries (except for amounts due to the Scheme Subsidiaries of RMB289,893,000) will not be released upon completion of the Group Reorganisation. Accordingly, any amounts due from and to the Unrestricted Scheme Subsidiaries shall be retained upon completion of the Group Reorganisation.

(vi) The amount of RMB236,092,000 represents the release of exchange reserve of the Scheme Subsidiaries as at 1 January 2022 to profit or loss as a result of the Group Reorganisation.

(vii) The estimated transaction costs attributable to the Group Reorganisation represent the costs and expenses directly incurred for the Group Reorganisation, which will be borne by the Group and are assumed to be settled in cash at an aggregate amount of approximately HK$32,000,000 (equivalent to RMB26,170,000).

(d) The adjustment represents the recognition of the corresponding 49% non-controlling interests of Shanghai Fusheng of RMB38,618,000 as at 1 January 2022 and the impact on gain of the Group Reorganisation in Note 3(c), assuming the Group Reorganisation had taken place on 1 January 2022.

(e) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 January 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Retained Group.

(f) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flow of the Retained Group.

(g) For the purpose of preparation of the Unaudited Pro Forma Financial Information, the exchange rates adopted are as follows:

As at 31 December 2022	HK$1	=	RMB0.8933
As at 1 January 2022	HK$1	=	RMB0.8178
Average rate for the year ended 31 December 2022	HK$1	=	RMB0.8554

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RETAINED GROUP

Set out below is the management discussion and analysis on the Retained Group for each of the financial years ended 31 December 2020, 2021 and 2022 (the "**Reporting Periods**"). The financial data in respect of the Retained Group, for the purpose of this circular, is derived from the consolidated financial statements of the Company for the Reporting Periods. Unless otherwise specified, terms used herein shall the same meanings as those defined in the 2020 annual report, 2021 annual report and 2022 annual report of the Company.

For the year ended 31 December 2020 ("Year 2020")

BUSINESS REVIEW

During the Year 2020, the total revenue of the Retained Group was approximately RMB909,333,000, decreased by 42.7% as compared to that of the previous year (previous year: RMB1,586,872,000).

Loss for the Year 2020 attributable to owners of the Company was RMB752,003,000 (previous year: Profit for the year attributable to owners of the Company RMB136,934,000).

As at 31 December 2020, the Retained Group owned 12 projects under development and for sale and had a total gross floor area of approximately 1,263,762 sq. m. with gross floor area attributable to the Retained Group of approximately 961,778 sq. m.. The Group also owned 2 investment properties with gross floor area attributable to the Group of 43,533 sq. m..

Property development

During the Year 2020, revenue from sales of properties was approximately RMB902,635,000 (previous year: RMB1,522,963,000). The revenue from sales of properties was mainly contributed by the project. Qianlong International, Ningde Fullsun Country Garden • Tianjiao, Fullsun International Financial Centre and Qianlong Royal Family in the PRC. The recognised sales during the Year 2020 had decreased by 40.7% as compared to that of the previous year due to weakened demand during the pandemic and delayed schedule for sale.

During the Year 2020, competitors accelerated their speed of obtaining certificates and sales in order to meet the tighten liquidity of the industry due to the tightened financial policy in real estate market in the PRC. The Retained Group launched promotions and offered discounts to its customers in order to maintain necessary return of funds for the projects. The profit margin was harmed and the overall gross margin was approximately -2.5% (previous year: 24.2%).

Property investment

Rental income for the Year 2020 was approximately RMB6,698,000 (previous year: RMB63,909,000). Rental income was mainly contributed by the premises Fullsun International Financial Centre in Changsha. Due to the uncertain economy during the first half of the Year 2020, certain tenants moved out meanwhile, certain portion of the Fullsun International Financial Centre has been sold to customers during the Year 2020, as such rental income has dropped significantly.

During the Year 2020, the fair value loss on the Group's investment property portfolio was approximately RMB322,540,000 due to the adverse impact of the COVID-19 pandemic and the deterioration of the overall economic environment. For the previous year, the fair value loss was approximately RMB150,000. During the previous year, certain properties leased out were reclassified from inventories to investment properties. The gain amount for the previous year represents the difference between the fair value of the properties leased on the date of the lease compared to the original costs recorded in inventory of such properties was approximately RMB155,596,000. As such, the fair value gain on investment property of the Retained Group for the previous year was approximately RMB155,446,000. Notwithstanding the above, the change in the fair value of investment properties is a non-cash item.

OPERATING EXPENSES

During the Year 2020, the selling and distribution expenses was approximately RMB63,934,000 (previous year: RMB67,387,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year 2020 was 7.03% (previous year: 4.25%). During the Year 2020, the administrative expenses was approximately RMB109,845,000 (previous year: RMB61,992,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year 2020 was 12.08% (previous year: 3.91%). The increase in operating expenses was due to the increase in profession fee of the operation during the Year 2020.

FINANCE COSTS

Finance costs comprised of interest on bank and other borrowings, interest on convertible bonds, interest on lease liabilities and interest on contract liabilities less the amount of capitalised interest relating to properties under development. The finance costs was approximately RMB113,440,000 for the Year 2020 (previous year: RMB44,147,000).

INCOME TAX EXPENSE

During the Year 2020, income tax expense amounted to approximately RMB3,216,000 (previous year: RMB161,830,000). The decrease in income tax expense was mainly due to the loss of operation.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Year 2020 (previous year: Nil).

LIQUIDITY, FINANCIAL RESOURCE AND GEARING RATIO

As at 31 December 2020, bank balances and cash amounted to approximately RMB252,604,000 (2019: RMB449,850,000), which were principally denominated in RMB and HKD. The Retained Group had total bank and other borrowings of approximately RMB1,784,380,000 (2019: RMB2,988,544,000) which carried interest at fixed or floating interest rates and were denominated in RMB, HKD and USD. The Retained Group's total bank and other borrowings divided by total assets as at 31 December 2020 was 21.5% (2019: 34.3%). The Group had carrying amounts of convertible bonds and its derivative components of approximately RMB11,316,000 (2019: RMB23,400,000). The carrying amounts of convertible bonds and its derivative components divided by total assets as at 31 December 2020 was 0.1% (2019: 0.3%). The net gearing ratio calculated as total borrowings including the debt component of the convertible bonds and less bank balances and cash and restricted bank deposits divided by total equity of the Retained Group as at 31 December 2020 was 51.8% (2019: 104.9%). As at 31 December 2020, the Retained Group had current assets of approximately RMB8,046,222,000 (2019: RMB7,176,962,000) and current liabilities of approximately RMB6,280,418,000 (2019: RMB4,746,793,000). The net assets of the Retained Group as at 31 December 2020 was approximately RMB2,532,024,000 (2019: RMB2,335,518,000) increased by approximately 8.4%.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Retained Group's principal business operations and investments are in the PRC. As at 31 December 2020, all outstanding balances of its loans are denominated in RMB and HKD. The Retained Group is exposed to fluctuations in the foreign exchange rates of the RMB, USD and HKD, but does not have any instruments to hedge its exposure to foreign exchange rates as it considers the potential exposure to foreign exchange rate risks is limited. The Retained Group nonetheless closely monitors the fluctuations in exchange rates and will take appropriate actions to reduce the exchange rate exposure.

PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Retained Group and the mortgage loans granted to the customers of the Retained Group at 31 December 2020:

	RMB'000
Properties under development for sale	2,972,819
Completed properties held for sale	1,122,969
Investment properties	686,510

In addition, certain equity shares of the subsidiaries of the Retained Group were pledged to several borrowings granted to the Retained Group.

CONTINGENT LIABILITIES

	31 December 2020 *RMB'000*
Guarantees given in favour of banks for: Mortgage facilities granted to purchasers of the Retained Group's properties *(note)*	2,202,060

Note: The Retained Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Retained Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Retained Group is responsible for the repayment of the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to the banks. The Retained Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans. In the opinion of the Directors, no provision for the guarantee contracts is made as the default risk is low and the fair value of the financial guarantee contracts is insignificant.

OTHER COMMITMENTS

	31 December 2020
	RMB'000
Commitments for property development contracted for but not provided in the consolidated financial statements	2,386,611

LITIGATION

On 29 December 2020, the Company received a petition (the "**Petition**") from Ms. Chen Aju, the bond holder of the Outstanding Bond (the "**Bondholder**"), filed with the High Court of The Hong Kong Special Administrative Region (the "**High Court**") under Companies (Winding-up) Proceedings No. 444 of 2020 against the Company for its alleged failure to repay in full the Outstanding Bond pursuant to a bond instrument dated 1 December 2017 executed by the Company, together with interest accrued thereon until actual payment.

After the receipt of the Petition by the Company, the Company and the Bondholder have entered into a written agreement in respect of a repayment plan pursuant to which the Bondholder shall immediately withdraw the Petition after the Company has performed in accordance with the terms of such agreement.

On 2 February 2021, the Company and the Bondholder have agreed on the total amount payable by the Company to the Bondholder in relation to the Outstanding Bond.

On 10 February 2021, the Company has performed its obligations in full under the repayment plan as mentioned in the announcement of the Company dated 30 December 2020, a consent summons has been executed by the Company and the Bondholder to withdraw the Petition and was filed to the High Court on 11 February 2021. An order of the High Court was granted on 1 March 2021, the Petition had been withdrawn and the hearing of the Petition scheduled on 24 March 2021 was vacated.

Details were disclosed in the Company's announcements dated 30 December 2020, 2 February 2021, 11 February 2021 and 12 March 2021.

MATERIAL ACQUISITIONS AND INVESTMENTS

On 30 December 2019, a wholly-owned subsidiary of the Retained Group entered into an equity transfer agreement with an independent party (the "**Heda Vendor**"), pursuant to which the Group acquired 30% equity interest in Hunan Heda Investment Group Co., Ltd.* ("**Hunan Heda**") and all the interests, benefits and rights of and in the unsecured, interest-free shareholder's loan amounting to approximately RMB51,000,000 owed by Hunan Heda to the Heda Vendor as at 30 December 2019 at the aggregate consideration of RMB270,000,000.

Details of the transaction were set out in the announcement of the Company dated 30 December 2019. The acquisition was terminated after the year ended 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Retained Group had approximately 200 employees, including the Directors. Remuneration of employees is determined by reference to the market terms and commensurate with the level of pay for similar positions within the industry. Discretionary year-end bonuses are payable to employees based on individual performance. The Retained Group provides benefits in accordance with the relevant laws and regulations. The employees of the Retained Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC, and the employees in Hong Kong are members of the Mandatory Provident Fund Scheme of Hong Kong.

For the year ended 31 December 2021 ("Year 2021")

BUSINESS REVIEW

During the Year 2021, the total revenue of the Retained Group was approximately RMB2,029,996,000, increased by 123.2% as compared to that of the previous year (previous year: RMB909,330,000).

Loss for the year attributable to owners of the Company was RMB328,943,000 (previous year: Loss for the year attributable to owners of the Company RMB752,003,000).

As at 31 December 2021, the Retained Group owned 12 projects under development and for sale and had a total gross floor area of approximately 971,476 sq. m. with gross floor area attributable to the Group of approximately 777,443 sq. m.. The Retained Group also owned 2 investment properties with gross floor area attributable to the Group of 45,946 sq. m..

Property development

During the Year 2021, revenue from sales of properties was approximately RMB2,028,756,000 (previous year: RMB902,635,000).

The revenue from sales of properties was mainly contributed by projects in different regions during the Year 2021. Qianlong International, Ningde Fullsun Country Garden • Tianjiao and Xingru Jincheng in the Mainland China. The recognised sales during the Year 2021 has increased by 124.8% as compared to that of the previous year due to there are several properties delivered to the customers during the Year 2021.

During the Year 2021, the overall gross margin was improved and was approximately 17.3% (previous year: -2.5%) due to different regions of properties delivered during the Year 2021.

Property investment

Rental income for the Year 2021 was approximately RMB1,240,000 (Previous Year: RMB6,698,000). Rental income was mainly contributed by the premises Fullsun International Financial Centre in Changsha. Due to the uncertain economy during the first half of the Year 2021, certain tenants moved out so rental income has dropped.

During the Year 2021, the fair value loss on the Group's investment properties portfolio was approximately RMB259,000 due to the adverse impact of the COVID-19 pandemic. For the previous year, the fair value loss was approximately RMB322,540,000 due to the adverse impact of the COVID-19 pandemic in PRC.

OPERATING EXPENSES

During the Year 2021, the selling and distribution expenses was approximately RMB44,399,000 (previous year: RMB63,934,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year 2021 was 2.19% (previous year: 7.03%). During the Year 2021, the administrative expenses was approximately RMB41,836,000 (previous year: RMB109,845,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year 2021 was 2.06% (previous year: 12.08%). The decrease in operating expenses was due to the effective cost control of the operation during the Year 2021.

FINANCE COSTS

Finance costs comprised of interest on bank and other borrowings, interest on convertible bonds, interest on lease liabilities and interest on contract liabilities less the amount of capitalised interest relating to properties under development. The finance costs was approximately RMB53,929,000 for the Year 2021 (previous year: RMB113,440,000).

INCOME TAX EXPENSE

During the Year 2021, income tax expense amounted to approximately RMB110,496,000 (previous year: RMB3,216,000). The increase in income tax expense was mainly due to the provision of PRC Enterprise Income Tax on the property projects during the Year 2021.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Year 2021 (Previous Year: Nil).

LIQUIDITY, FINANCIAL RESOURCE AND GEARING RATIO

As at 31 December 2021, bank balances and cash amounted to approximately RMB105,848,000 (2020: RMB252,604,000), which were principally denominated in RMB and HKD. The Group had total bank and other borrowings of approximately RMB1,748,692,000 (2020: RMB1,784,380,000) which carried interest at fixed or floating interest rates and were denominated in RMB, HKD and USD. The Retained Group's total bank and other borrowings divided by total assets as at 31 December 2021 was 25.9% (2020: 21.5%). The Retained Group had carrying amounts of convertible bonds and its derivative components of approximately RMB Nil (2020: RMB11,316,000). The carrying amounts of convertible bonds and its derivative components divided by total assets as at 31 December 2021 was Nil (2020: 0.1%). The net gearing ratio calculated as total borrowings including the debt component of the convertible bonds and less of amount of bank balances and cash and restricted bank deposits divided by total equity of the Group as at 31 December 2021 was 77.2% (2020: 51.8%).

As at 31 December 2021, the Retained Group had current assets of approximately RMB8,046,222,000 (2020: RMB7,176,962,000) and current liabilities of approximately RMB4,558,271,000 (2020: RMB6,280,418,000). The net assets of the Retained Group as at 31 December 2021 was approximately RMB1,874,501,000 (2020: RMB2,532,024,000) decreased by approximately 26.0%.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Retained Group's principal business operations and investments are in mainland China. As at 31 December 2021, all outstanding balances of its loans are denominated in RMB and HKD. The Retained Group is exposed to fluctuations in the foreign exchange rates of the RMB, USD and HKD, but does not have any instruments to hedge its exposure to foreign exchange rates as it considers the potential exposure to foreign exchange rate risks is limited. The Retained Group nonetheless closely monitors the fluctuations in exchange rates and will take appropriate actions to reduce the exchange rate exposure.

PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Retained Group and the mortgage loans granted to the customers of the Retained Group at 31 December 2021:

	RMB'000
Properties under development	2,129,776
Properties held for sale	1,205,789
Investment properties	686,331
Property, plant and equipment	17,165

In addition, certain equity shares of the subsidiaries of the Retained Group were pledged to several borrowings granted to the Retained Group.

CONTINGENT LIABILITIES

	31 December 2021 *RMB'000*
Guarantees given in favour of banks for: Mortgage facilities granted to purchasers of the Retained Group's properties *(note)*	3,303,694

Note: The Retained Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Retained Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Retained Group is responsible for the repayment of the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to the banks. The Retained Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans. In the opinion of the Directors, no provision for the guarantee contracts is made as the default risk is low and the fair value of the financial guarantee contracts is insignificant.

OTHER COMMITMENTS

	31 December 2021 *RMB'000*
Commitments for property development contracted for but not provided in the consolidated financial statements	1,729,904

LITIGATION

On 29 December 2020, the Company received a petition (the "**Petition**") from Ms. Chen Aju, the bond holder of the Outstanding Bond (the "**Bondholder**"), filed with the High Court of The Hong Kong Special Administrative Region (the "**High Court**") under Companies (Winding-up) Proceedings No. 444 of 2020 against the Company for its alleged failure to repay in full the Outstanding Bond pursuant to a bond instrument dated 1 December 2017 executed by the Company, together with interest accrued thereon until actual payment.

After the receipt of the Petition by the Company, the Company and the Bondholder have entered into a written agreement in respect of a repayment plan pursuant to which the Bondholder shall immediately withdraw the Petition after the Company has performed in accordance with the terms of such agreement.

On 2 February 2021, the Company and the Bondholder have agreed on the total amount payable by the Company to the Bondholder in relation to the Outstanding Bond.

On 10 February 2021, the Company has performed its obligations in full under the repayment plan as mentioned in the announcement of the Company dated 30 December 2020, a consent summons has been executed by the Company and the Bondholder to withdraw the Petition and was filed to the High Court on 11 February 2021. An order of the High Court was granted on 1 March 2021, the Petition had been withdrawn and the hearing of the Petition scheduled on 24 March 2021 was vacated.

Details were disclosed in the Company's announcements dated 30 December 2020, 2 February 2021, 11 February 2021 and 12 March 2021.

MATERIAL ACQUISITIONS AND INVESTMENTS

Hunan Fullsun Financing Arrangement

On 22 December 2016, Hunan Fullsun, a subsidiary the Company and 大業信託有限責任公司 ("**Daye Trust**") entered into a financing arrangement pursuant to which 49% of the equity interest in Hunan Fullsun had been transferred to Daye Trust and a mortgage over the land use rights of four parcels of land located in Hunan Province together with the buildings and constructions erected thereon were pledged to Daye Trust as collateral. Following the full repayment of the loan during the year ended 31 December 2020, all collateral and security given in favour of Daye Trust in relation to the loan were discharged and released on 9 April 2021. The 49% equity interest in Hunan Fullsun was retransferred to 成潤(福建)商業管理有限公司, a subsidiary of the Company. Details are set out in the Company's Announcement on 9 April 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Retained Group had approximately 120 employees, including the Directors. Remuneration of employees is determined by reference to the market terms and commensurate with the level of pay for similar positions within the industry. Discretionary year-end bonuses are payable to employees based on individual performance. The Retained Group provides benefits in accordance with the relevant laws and regulations.

The Retained Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong who are eligible to participate in the Mandatory Provident Fund Scheme (the "**MPF Scheme**"). The Retained Group and its employees in Hong Kong are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income and capped at HK$1,500 per month.

The employees of the Retained Group's subsidiaries which operate in the PRC are required to participate in the central pension schemes operated by the local municipal governments (the "**Central Pension Schemes**"). According to the relevant regulations, contributions that should be borne by the companies within the Retained Group are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The applicable percentages for the Central Pension Schemes for the Year 2021 and previous year are listed below:

	Percentage
Pension insurance	12.0-20.0%
Medical insurance	5.2-10.5%
Unemployment insurance	0.32-1.5%
Housing fund	5.0-12.0%

The Retained Group's contributions to the MPF Scheme and the Central Pension Schemes vest fully and immediately with the employees. During the Year 2021 and previous year, there were neither contributions forfeited by the Retained Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2021 and 2020, there were no forfeited contributions which were available for utilisation by the Retained Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

For the year ended 31 December 2022 ("Year 2022")

BUSINESS REVIEW

During the Year 2022, the total revenue of the Retained Group was approximately RMB1,601,986,000, decreased by 21.1% as compared to that of the previous year (previous year: RMB2,029,996,000).

During the Year 2022, loss for the year attributable to owners of the Company was RMB226,788,000 (previous year: Loss for the year attributable to owners of the Company RMB328,943,000).

As at 31 December 2022, the Retained Group owned 10 projects under development and for sale and had a total gross floor area of approximately 728,916 sq.m. with gross floor area attributable to the Retained Group of approximately 550,777 sq.m.. The Retained Group also owned 2 investment properties with gross floor area attributable to the Group of 45,946 sq.m..

Property development

During the Year 2022, revenue from sales of properties was approximately RMB1,601,486,000 (previous year: RMB2,028,756,000). The revenue from sales of properties was mainly contributed by projects in different regions during the Year. Qianlong International, Ningde Fullsun Country Garden • Tianjiao, Qianlong Royal Family, Kela Meili Shanzhuang and Fuli Plaza in the Mainland China. The recognised sales during the Year 2022 has decreased by 21.1% as compared to that of the previous year due to weakened demand during the Year 2022.

Property investment

Rental income for the Year 2022 was approximately RMB500,000 (previous year: RMB1,240,000). Rental income was mainly contributed by the premises Fullsun International Financial Centre in Changsha. Due to the uncertain economy during the first half of the Year 2022, certain tenants moved out so rental income has dropped. During the Year 2022, the fair value loss on the Group's investment properties portfolio was approximately RMB36,881,000 due to the adverse impact of the COVID-19 pandemic in the PRC. For the previous year, the fair value loss was approximately RMB106,764,000 due to the deterioration of the overall economic environment in Hong Kong when the Group disposed the Enterprise Square III in September 2021 and the adverse impact of the COVID-19 pandemic in both the PRC and Hong Kong.

OPERATING EXPENSES

During the Year 2022, the selling and distribution expenses was approximately RMB22,553,000 (previous year: RMB44,399,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year 2022 was 1.41% (previous year: 2.19%). During the Year 2022, the administrative expenses was approximately RMB50,838,000 (previous year: RMB41,836,000), the cost-income ratio calculated as the relevant expenses divided by the revenue for the Year 2022 was 3.17% (previous year: 2.06%). The decrease in operating expenses was due to the effective cost control of the operation during the Year 2022.

FINANCE COSTS

Finance costs comprised of interest on bank and other borrowings, interest on lease liabilities and interest on contract liabilities less the amount of capitalised interest relating to properties under development. The finance costs was approximately RMB24,008,000 for the Year 2022 (previous year: RMB53,929,000).

INCOME TAX EXPENSE

During the Year 2022, income tax expense amounted to approximately RMB53,636,000 (previous year: RMB110,496,000). The decrease in income tax expense was mainly due to the provision of tax loss position of the Group's PRC subsidiaries and so less PRC EIT provision made during the Year 2022.

DIVIDEND

The Board does not recommend the payment of any final dividend for the Year 2022 (previous year: Nil).

LIQUIDITY, FINANCIAL RESOURCE AND GEARING RATIO

As at 31 December 2022, bank balances and cash amounted to approximately RMB162,581,000 (2021: RMB105,848,000), which were principally denominated in RMB and HKD. The Retained Group had total bank and other borrowings of approximately RMB1,489,480,000 (2021: RMB1,748,692,000) which carried interest at fixed interest rates and were denominated in RMB and HKD. The Retained Group's total bank and other borrowings divided by total assets as at 31 December 2022 was 27.7% (2021: 25.9%). The net gearing ratio calculated as total borrowings and less of amounts of bank balances and cash and restricted bank deposits divided by total equity of the Retained Group as at 31 December 2022 was 204.9% (2021: 77.2%).

As at 31 December 2022, the Retained Group had current assets of approximately RMB4,673,714,000 (2021: RMB5,095,843,000) and current liabilities of approximately RMB4,438,334,000 (2021: RMB4,558,271,000). The net assets of the Retained Group as at 31 December 2022 was approximately RMB642,528,000 (2021: net assets of approximately RMB1,874,501,000) decreased by approximately 65.7%.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Retained Group's principal business operations and investments are in the PRC. As at 31 December 2022, all outstanding balances of its loans are denominated in RMB and HKD. The Retained Group is exposed to fluctuations in the foreign exchange rates of the RMB, USD and HKD, but does not have any instruments to hedge its exposure to foreign exchange rates as it considers the potential exposure to foreign exchange rate risks is limited. The Group nonetheless closely monitors the fluctuations in exchange rates and will take appropriate actions to reduce the exchange rate exposure.

PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Retained Group and the mortgage loans granted to the customers of the Retained Group at 31 December 2022:

	RMB'000
Properties under development	462,056
Properties held for sale	1,315,452
Property, plant and equipment	16,126
Investment properties	649,440

In addition, certain equity shares of the subsidiaries of the Retained Group were pledged to several borrowings granted to the Retained Group.

CONTINGENT LIABILITIES

	31 December 2022 *RMB'000*
Guarantees given in favour of banks for: Mortgage facilities granted to purchasers of the Retained Group's properties *(note)*	3,733,913

Note: The Retained Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Retained Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Retained Group is responsible for the repayment of the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to the banks. The Retained Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and released upon the banks obtained the building ownership certificate from the customers as a pledge for the mortgage loans. In the opinion of the Directors, no provision for the guarantee contracts is made as the default risk is low and the fair value of the financial guarantee contracts is insignificant.

OTHER COMMITMENTS

	31 December 2022
	RMB'000
Commitments for property development contracted for but not provided in the consolidated financial statements	3,216,153

MATERIAL ACQUISITIONS AND INVESTMENTS

The Retained Group did not have any significant investments, material acquisitions and disposals during the Year 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Retained Group had 106 employees, including the Directors. Remuneration of employees is determined by reference to the market terms and commensurate with the level of pay for similar positions within the industry. Discretionary year-end bonuses are payable to employees based on individual performance. The Retained Group provides benefits in accordance with the relevant laws and regulations. The employees of the Retained Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC, and the employees in Hong Kong are members of the Mandatory Provident Fund Scheme of Hong Kong.

The Retained Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong who are eligible to participate in the Mandatory Provident Fund Scheme (the "**MPF Scheme**"). The Retained Group and its employees in Hong Kong are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income and capped at HK$1,500 per month.

The employees of the Retained Group's subsidiaries which operate in the PRC are required to participate in the central pension schemes operated by the local municipal governments (the "**Central Pension Schemes**"). According to the relevant regulations, contributions that should be borne by the companies within the Retained Group are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The applicable percentages for the Central Pension Schemes for the Year 2022 and previous year are listed below:

	Percentage
Pension insurance	12.0–20.0%
Medical insurance	5.2–10.5%
Unemployment insurance	0.32–1.5%
Housing fund	5.0–12.0%

The Retained Group's contributions to the MPF Scheme and the Central Pension Schemes vest fully and immediately with the employees. During the Year 2022 and previous year, there were neither contributions forfeited by the Retained Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2021, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

The following is the text of a letter, summary of valuations and the valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the properties as at 30 April 2023.

CUSHMAN & WAKEFIELD
戴德梁行

27/F
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

23 June 2023

The Directors
Fullsun International Holdings Group Co. Ltd.
Room 1811, 18/F
V Heun Building
138 Queen's Road Central
Central
Hong Kong

Dear Sirs,

Re: Property Valuations

INSTRUCTIONS, PURPOSE AND VALUATION DATE

In accordance with the instructions by Fullsun International Holdings Group Co. Ltd. (referred to as the "**Company**") for us to value the properties in Hong Kong and the People's Republic of China (the "**PRC**", which for the purpose of the Company's circular, excludes Hong Kong, Macau and Taiwan) (as more particularly described in the valuation report) (individually the "**Property**" or collectively the "**Properties**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 April 2023 (the "**Valuation Date**").

DEFINITION OF MARKET VALUE

Our valuation of each of the Properties represents its market value which in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

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

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases published by Securities and Futures Commission and the HKIS Valuation Standards 2020 published by the HKIS.

In the course of our valuation of the Properties in the PRC, we have relied on the information and advice given by the Company and its PRC legal adviser, 湖南華碩律師事務所 (Hunan Huashuo Law Firm), regarding the title of the Properties. We have prepared our valuations on the basis that the owner of each of the Properties has an enforceable title to the respective property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired land use term as granted.

For the Property situated in Hong Kong, the Company advises that the potential tax liabilities is estimated to be approximately HKD620,000 if the Property were sold at the amount of our valuation. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Latest Practical Date (as defined in the Company's circular in relation to its application for whitewash waiver).

For the Properties situated in the PRC, we have been advised by the Company that the potential tax liabilities include land appreciation tax (土地增值稅) at progressive tax rates from 30% to 60%, value-added tax (增值稅) at 9% of value-added amount and income tax (所得稅) at 25% on profit before tax. The exact amount of tax payable upon realisation of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon representation of the relevant transaction documents.

As advised by the Company, the potential tax liabilities is estimated to be approximately RMB5.5 million if such properties were sold at the amount of our valuations. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Latest Practicable Date.

The likelihood of the relevant tax liability being crystallized is not high because the Company's whitewash waiver application is in relation to the disposal of the equity interest of certain companies.

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

In respect of the Properties situated in the PRC, the status of title and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report.

METHOD OF VALUATION

In valuing the Properties in Group I which are completed properties in Hong Kong and the PRC, we have adopted Market Comparison Method by making reference to comparable sales evidence as available in the relevant market. Market Comparison Method is the best method for property valuation in theory because it is a market approach showing what price levels that the buyers really pay for properties in the market. However, this method has limitation for application especially in the event that relevant property transactions are few and the nature of properties are not uniform. Market Comparison Method is by way of comparing the property to be assessed directly with other comparable properties which recently changed hands. These premises are generally located in the surrounding areas which is comparable to the Properties. However, because of the heterogeneous nature of properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price likely to be achieved by the property under consideration. There are sufficient comparable transactions in the relevant market and Market Comparison Method is a suitable method for valuing the Properties.

In valuing the Property in Group II which is under development in the PRC, we have adopted Market Comparison Method to assess the gross development value as if completed and have also taken into account the incurred construction cost and the costs that will be incurred to complete the development to reflect the quality of the completed development.

SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Company regarding the title of the Properties. We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, and all other relevant matters.

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

TITLE INVESTIGATION

We have undertaken searches in the Land Registry of Hong Kong relating to the title of the Property in Hong Kong.

We have been provided with extracts of documents relating to the title of the Properties in the PRC but no searches have been made.

We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in Hong Kong and the PRC and we have therefore relied on the advice given by the Company and the PRC legal opinion prepared by the Company's legal adviser regarding the Properties.

SITE INSPECTION

Our valuers inspected the exterior and, whenever possible, the interior of the Properties in January 2023. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the Properties and we have assumed that the area shown on the documents handed to us are correct. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

The following is the information of our valuers who have inspected the Properties.

Name of valuer	Property No. inspected by the valuer	No. of years of experience in property valuation	Qualification	Date of inspection
Mr. Calvin Leung	1	5	Bachelor's degree	12 January 2023
Ms. Aileen Zhang	2	9	MCIREA	4 January 2023
Ms. Kay Zhu	3	5	Bachelor's degree	3 January 2023

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all sums stated in our valuations are in Renminbi ("**RMB**"), the official currency of the PRC.

The exchange rate adopted in our valuations is HKD1=RMB0.880409 which was the approximate exchange rate prevailing as at the Valuation Date.

We enclose herewith our valuation report.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property		Market value in existing state as at 30 April 2023 *(RMB)*
Group I – Completed properties held for sale in Hong Kong and the PRC		
1	Portions of La Salle Residence, No. 6 La Salle Road, Ho Man Tin District, Hong Kong 香港何文田區喇沙利道6號晟林項目部分	166,530,000
2	Portions of Fullsun Qianlong Bay, Zhongshan Port Panyzhong Road, Torch Development Zone, Zhongshan, Guangdong Province, the PRC 中國廣東省中山市火炬開發區中山港番中公路福晟錢隆灣畔項目部分	69,600,000
	Sub-total:	236,130,000
Group II – Property under development in the PRC		
3	Fullsun Emerald Bay, west of Meixihu Huanhu Road, Yuelu District, Changsha, Hunan Province, the PRC 中國湖南省長沙市岳麓區梅溪湖環湖路西側福晟翡翠灣項目	1,436,000,000
	Sub-total:	1,436,000,000
	Total:	**1,672,130,000**

As advised by the Company, the attributable interest to the Company is 100% for each of the Properties.

VALUATION REPORT

Group I – Completed properties held for sale in Hong Kong and the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2023
1 Portions of La Salle Residence, No. 6 La Salle Road, Ho Man Tin District, Hong Kong 香港 何文田區 喇沙利道6號 晟林項目部分 506/ 3192 share of Kowloon Inland Lot No. 2320	Completed in 2018, the subject building is a high-end residential development known as La Salle Residence with facilities of parking spaces and clubhouse. The subject building comprises 17 storeys above ground floor and a basement. The Property comprises a duplex residential unit on the 18th and 19th floors with a saleable area of 3,949 sq.ft. (366.67 sq.m.), 9 private car parking spaces (CPS Nos. P1, P2, P3, P5, P6, P7, P8, P9, P10) and a motorcycle parking space no. M1 on Basement. The immediate locality of the Property is an urban area in Hong Kong predominated by residential developments and communal facilities. The Property is held from the government under a government lease for a term of 75 years from 22 April 1930 renewed for a further term of 75 years.	As advised by the Company, the Property was vacant as at the Valuation Date.	RMB166,530,000 (HKD189,100,000) (Renminbi One Hundred Sixty Six Million Five Hundred Thirty Thousand only) (Hong Kong Dollars One Hundred Eighty Nine Million One Hundred Thousand only)

Notes:

(1) The registered owners of the Property are Wise Think Global Limited (a 100% indirectly-owned subsidiary held by the Company) and Gold Asset Investment Limited (金置投資有限公司) (a 100% indirectly-owned subsidiary held by the Company).

(2) The Property is subject to a second legal charge dated 6 January 2022 in favour of Profound Success Investment Limited.

(3) The major parameters adopted in our valuation are as follows:

Type	**Range of market unit rate (HKD/sq. ft. or per parking space)**
Duplex residential unit	HKD42,000
Private car parking space	HKD2,550,000
Motorcycle parking space	HKD250,000

In valuing the Property, we have adopted Market Comparison Method by making reference to comparable sales evidence as available in the relevant market.

The selling prices of those similar duplex residential properties range from approximately HKD36,429 per sq. ft. to HKD52,803 per sq. ft. After undertaking appropriate adjustments, we adopted a unit rate of HKD42,000 per sq. ft. for the duplex residential unit of the Property.

The selling prices of those similar private car parking space properties range from approximately HKD2,400,000 per lot to HKD3,000,000 per lot. After undertaking appropriate adjustments, we adopted a unit rate of HKD2,550,000 per lot for the Property.

The selling prices of those similar motorcycle parking space properties range from approximately HKD250,000 per lot to HKD280,000 per lot. After undertaking appropriate adjustments, we adopted a unit rate of HKD250,000 per lot for the Property.

The above market unit rates adopted by us are consistent with the level of the recent sales of other similar properties within the same locality as mentioned above.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2023
2 Portions of Fullsun Qianlong Bay, Zhongshan Port Panyzhong Road, Torch Development Zone, Zhongshan, Guangdong Province, the PRC 中國廣東省 中山市 火炬開發區 中山港番中公路 福晟錢隆灣畔項目部分	The subject development is a high-end residential development known as Fullsun Qianlong Bay with retail and car parking spaces. Completed in 2020, the subject development was developed on a parcel of land with site area of 16,666.68 sq. m. The Property comprises the unsold portions of the subject development with details as follows:	As advised by the Company, the Property was vacant as at the Valuation Date.	RMB69,600,000 (Renminbi Sixty Nine Million Six Hundred Thousand only)

Use	Car park no.	Gross floor area *(sq. m.)*
Residential	n/a	2,089.63
Townhouse	n/a	1,052.21
Retail	n/a	2,341.16
Car park	20	224.15
Total	**20**	**5,707.15**

The immediate locality of the Property is an urban area in Zhongshan predominated by commercial, office and residential developments with communal facilities.

The Property is held with land use rights for a term due to expire on 3 January 2043 for residential and commercial uses.

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2013) 1507557 issued by 中山市人民政府 (the Zhongshan Municipal People's Government) on 9 December 2013, the land use rights of the Property with a site area of 16,666.68 sq. m. have been vested in 中山市正培電子科技有限公司 (Zhongshan City Zhengpei Electronic Technology Co., Ltd.) (a 100% indirectly-owned subsidiary held by the Company) for a term due to expire on 3 January 2043 for residential and commercial uses.

(2) According to Completion and Acceptance Certificate for Construction Works No. (2020) 869 dated 15 April 2020, the subject development with a total gross floor area of 26,766.70 sq. m. has been completed.

The Property comprises portions of the buildings in the above certificate.

(3) As advised by the Company, portions of the Property comprising a total gross floor area of approximately 458.70 sq. m. are subject to various agreements for sale and purchase for a total consideration of RMB5,139,328. We have included such amount in our valuation.

(4) According to the Business Licence dated 19 July 2019, 中山市正培電子科技有限公司 (Zhongshan City Zhengpei Electronic Technology Co., Ltd.) has been established on 6 May 2013 as a limited company with a registered capital of RMB33,333,300.

(5) We have been provided with a legal opinion issued by the Company's PRC legal adviser, (湖南華碩律師事務所 (Hunan Huashuo Law Firm)), which contains, *inter alia*, the following information:

(a) The State-owned Land Use Rights Certificate of the Property is legal, valid and enforceable under the PRC laws;

(b) 中山市正培電子科技有限公司 (Zhongshan City Zhengpei Electronic Technology Co., Ltd.) is the legal user of the Property and has obtained Completion and Acceptance Certificate of the Property; and

(c) 中山市正培電子科技有限公司 (Zhongshan City Zhengpei Electronic Technology Co., Ltd.) has the rights to use, transfer and dispose of the land use rights of the Property in accordance with the PRC laws and regulations.

(6) The status of title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Completion and Acceptance Certificate for Construction Works	Yes
Business Licence	Yes

(7) The major parameters adopted in our valuation are as follows:

Use	**Market unit rate (RMB/sq. m. or per car parking space)**
Residential	9,500
Retail	17,000
Apartment	12,000
Car parking space	60,000

In valuing the Property, we have adopted Market Comparison Method by making reference to comparable sales evidence as available in the relevant market.

The selling prices of those similar residential properties range from approximately RMB9,000 per sq. m. to RMB11,000 per sq. m. After undertaking appropriate adjustments, we adopted a unit rate of RMB9,500 per sq. m. for the Property.

The selling prices of those similar retail properties range from approximately RMB15,000 per sq. m. to RMB22,000 per sq. m. After undertaking appropriate adjustments, we adopted a unit rate of RMB17,000 per sq. m. for the Property.

The selling prices of those similar apartment properties range from approximately RMB10,000 per sq. m. to RMB15,000 per sq. m. After undertaking appropriate adjustments, we adopted a unit rate of RMB12,000 per sq. m. for the Property.

The selling prices of those similar private car parking spaces properties range from approximately RMB50,000 per lot to RMB80,000 per lot. After undertaking appropriate adjustments, we adopted the unit rate of RMB60,000 per lot for the Property.

The above market unit rates adopted by us are consistent with the level of the recent sales of other similar properties within the same locality as mentioned above.

VALUATION REPORT

Group II – Property under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2023
3 Fullsun Emerald Bay, west of Meixihu Huanhu Road, Yuelu District, Changsha, Hunan Province, the PRC 中國湖南省 長沙市 岳麓區 梅溪湖環湖路西側 福晟翡翠灣項目	The subject development is a high-end residential development known as Fullsun Emerald Bay with retail and car parking spaces. The subject development was developed on a parcel of land with site area of 18,278.14 sq. m. As advised by the Company, the development is scheduled to be completed in 2023. The Property comprises the whole subject development with details as follows:	As advised by the Company, the Property was under construction as at the Valuation Date.	RMB1,436,000,000 (Renminbi One Billion Four Hundred Thirty Six Million only)

Use	Car park no.	Planned gross floor area (*sq. m.*)
Retail	n/a	4,945.79
Residential	n/a	61,492.89
Apartment	n/a	1,528.65
Loft	n/a	59,610.60
Ancillary facilities	n/a	6,345.21
Car park	845	32,463.87
Total	**845**	**166,387.01**

The immediate locality of the Property is an urban area in Changsha predominated by commercial, office and residential developments with communal facilities.

The Property is held with land use rights for terms due to expire on 27 December 2087 for residential use and due to expire on 27 December 2057 for commercial use.

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2018) 0118385 dated 17 April 2018, the land use rights of the Property with a site area of 18,278.14 sq. m. have been vested in 湖南德瑞達房地產開發有限公司 (Hunan Deruida Real Estate Development Co., Ltd.) (a 100% indirectly-owned subsidiary held by the Company) for terms due to expire on 27 December 2087 for residential use and due to expire on 27 December 2057 for commercial use.

(2) According to Grant Contract of State-owned Land Use Rights No. 2018005 dated 28 December 2017, the land use rights of the Property with a site area of 18,278.14 sq. m. have been vested in 湖南德瑞達房地產開發有限公司 (Hunan Deruida Real Estate Development Co., Ltd.) with details as follows:

Lot No.	:	YWSP20171115002
Location	:	West of Meixihu Huanhu Road (Site F-20)
Site Area	:	18,278.14 sq. m.
Land Usage	:	Residential: 0.877351 hectare; Commercial: 0.950463 hectare
Expiry Date	:	Residential: 27 December 2087 Commercial: 27 December 2057
Maximum GFA	:	129,774.79 sq. m.
Plot Ratio	:	Not higher than 7.10 and not lower than 1.0
Consideration	:	RMB919,870,000

(3) According to Planning Permit for Construction Use of Land No. 0015 issued by 長沙市城鄉規劃局 (Changsha Urban and Rural Planning Bureau) on 7 May 2018, the proposed construction land use of the Property complies with the town planning requirements permitted for construction of a site area of 18,278.14 sq. m..

(4) According to Planning Permit for Construction Works No. 0048 issued by 長沙市住房和城鄉建設委員會 (Changsha Department of Housing and Urban-Rural Development) on 9 August 2018, the construction works of the development with a total gross floor area of approximately 168,996.87 sq. m. are in compliance with the construction works requirements and have been approved.

(5) According to Commencement Permit for Construction Works No. 430112201808160101 issued by 長沙市住房和城鄉建設委員會 (Changsha Department of Housing and Urban-Rural Development) on 16 August 2018, the construction works of the development with a total gross floor area of approximately 168,996.87 sq. m. are in compliance with the requirements for works commencement.

(6) According to 3 Pre-sale Permits dated between 6 December 2018 and 12 September 2019, various buildings with a total gross floor area of approximately 126,780.47 sq. m. were permitted for pre-sale.

(7) As advised by the Company, portions of the Property comprising a total gross floor area of approximately 99,062.68 sq. m. are subject to various agreements for sale and purchase for a total consideration of RMB1,228,100,701. We have included such amount in our valuation.

(8) As advised by the Company, the total incurred construction cost of the Property as at the Valuation Date was RMB637,655,157, whilst the outstanding construction cost for completion of the Property as at the Valuation Date was RMB180,000,000.

(9) As at the Valuation Date, the estimated market value of the proposed development as if completed is approximately RMB1,729,500,000.

(10) According to the Business Licence dated 28 December 2017, 湖南德瑞達房地產開發有限公司 (Hunan Deruida Real Estate Development Co., Ltd.) was established on 28 December 2017 as a limited company with a registered capital of RMB50,000,000.

(11) We have been provided with a legal opinion issued by the Company's PRC legal adviser (湖南華碩律師事務所 (Hunan Huashuo Law Firm)), which contains, *inter alia*, the following information:

(a) The State-owned Land Use Rights Certificate of the Property is legal, valid and enforceable under the PRC laws;

(b) 湖南德瑞達房地產開發有限公司 (Hunan Deruida Real Estate Development Co., Ltd.) is the legal user of the Property and has obtained the approval from government for development of the Property; and

(c) 湖南德瑞達房地產開發有限公司 (Hunan Deruida Real Estate Development Co., Ltd.) has the rights to use, transfer and dispose of the land use rights and building ownership of the Property in accordance with the PRC laws and regulations.

(12) The status of title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes
Pre-sale Permit	Yes
Business Licence	Yes

(13) The major parameters adopted in our valuation are as follows:

Use	**Market unit price (RMB/sq. m. or car parking space)**
Retail	21,000
Loft	14,000
Car parking space	160,000

In valuing the Property, we have adopted Market Comparison Method by making reference to comparable sales evidence as available in the relevant market.

In undertaking our valuation, we have made reference to various recent sales of other similar properties within the same locality.

The selling prices of those similar retail properties range from approximately RMB18,000 per sq. m. to RMB25,000 per sq. m. After undertaking appropriate adjustments, we adopted a unit rate of RMB21,000 per sq. m. for the Property.

The selling prices of those similar loft properties range from approximately RMB14,000 per sq. m. to RMB20,000 per sq. m. After undertaking appropriate adjustments, we adopted a unit rate of RMB14,000 per sq. m. for the Property.

The selling prices of those similar private car parking space properties range from approximately RMB150,000 per lot to RMB190,000 per lot. After undertaking appropriate adjustments, we adopted the unit rate of RMB160,000 per lot for the Property.

The above market unit rates adopted by us are consistent with the level of the recent sales of other similar properties within the same locality as mentioned above.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Subscriber, CIS SAM and parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of CIS FUND OFC, the umbrella fund of the Subscriber, the directors of CIS SAM and the directors of CIS Group Limited, being the parent company of CIS SAM) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of CIS FUND OFC, the umbrella fund of the Subscriber, the directors of CIS SAM and the directors of CIS Group Limited, being the parent company of CIS SAM, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the effective date of the Capital Reorganisation); and (iii) immediately after Completion (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Completion other than as a result of the Capital Reorganisation and the Subscription) is set out as follows:

(i) As at the Latest Practicable Date

Authorised capital:		*HK$*
50,000,000,000	Existing Shares	500,000,000.00
Issued and fully paid or credited as fully paid:		
11,365,386,067	Existing Shares	113,653,860.67

(ii) Immediately after Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the effective date of the Capital Reorganisation):

Authorised capital:		*HK$*
50,000,000,000	New Shares	500,000,000

Issued and fully paid or credited as fully paid:		
113,653,860	New Shares	1,136,538.60

(iii) Immediately after Completion (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Completion other than as a result of the Capital Reorganisation and the Subscription):

Authorised capital:		*HK$*
50,000,000,000	New Shares	500,000,000

Issued and fully paid or credited as fully paid:		
113,653,860	New Shares as at the Latest Practicable Date	1,136,538.60
1,307,019,402	Number of Subscription Shares to be issued	13,070,194.02
1,420,673,262	New Shares upon Completion	14,206,732.62

All of the Subscription Shares to be issued will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Subscription Shares including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares. The Subscription Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

The Company had not issued any Shares since 31 December 2022, being the date on which the latest audited financial statements of the Group were made up and up to the Latest Practicable Date.

3. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of calendar months during the Relevant Period; (ii) on 11 July 2022 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	**Closing Price of the Shares** *HK$*
30 November 2021	0.019
31 December 2021	0.016
31 January 2022	0.016
28 February 2022	0.015
31 March 2022	0.012
30 April 2022	0.011
12 May 2022 (being the last Business Day immediately preceding the 13 May 2022 Announcement)	0.01
31 May 2022	0.012
30 June 2022	0.017
11 July 2022 (being the Last Trading Day)	0.02
31 July 2022	0.02
31 August 2022	0.02
30 September 2022	0.01
31 October 2022	0.01
30 November 2022	0.013
30 December 2022	0.013
31 January 2023	0.014
28 February 2023	0.015
31 March 2023	0.013
30 April 2023	0.011
31 May 2023	0.013
Latest Practicable Date	0.015

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.01 on 23, 26-30 September 2022, 3-6, 10,12-14, 17-21, 24-28, 31 October 2022, 1-4, 7-10 November 2022, 20 April 2023, 8-9, 15, 17, 30-31 May 2023 and 8 June 2023 and HK$0.021 on 13 September 2022 respectively.

4. DISCLOSURE OF INTERESTS

A. Director's and chief executive's interests in the Company or its associated corporations

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

Interests in the Shares and underlying Shares of the Company

Name of Director	Long position/short position	Nature of Interests	Number of Shares	Approximate percentage of shareholding *(Note 1)*
Mr. Pan Haoran	Long position	Interest in a controlled corporation	6,416,140,000 *(Note 2)*	56.45%

Notes:

(1) The total number of Shares in issue as at the Latest Practicable Date (i.e. 11,365,386,067 Shares) has been used for the calculation of the approximate percentage.

(2) These Shares were held by Tongda Enterprises Limited, a company incorporated in the BVI, all of the issued shares of which was owned by Mr. Pan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be 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 which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules; or (iv) were required to be disclosed under the Takeovers Code.

B. Substantial shareholders and other persons' interests in Shares and underlying Shares

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons (other than a Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in the Shares and underlying shares of the Company

Name of Shareholder	Nature of Interests	Number of Shares	Approximate percentage of shareholding
CIS FUND OFC – CIS OPPORTUNITIES I FUND *(Note 1)*	Beneficial owner	1,307,019,402	92.00% *(Note 2)*
CIS Securities Asset Management Limited *(Note 1)*	Investment manager	1,307,019,402	92.00% *(Note 2)*
Grateful Heart Inc. *(Note 1)*	Interest in a controlled corporation	1,307,019,402	92.00% *(Note 2)*
Mr. Kenichi Yanase *(Note 1)*	Interest in a controlled corporation	1,307,019,402	92.00% *(Note 2)*
Tongda Enterprises Limited *(Note 4)*	Beneficial owner	6,416,140,000	56.45% *(Note 3)*
Zheng Jiaying *(Note 5)*	Interest of spouse	6,416,140,000	56.45% *(Note 3)*

Notes:

(1) These interests represent the 1,307,019,402 New Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement. The Subscriber is a sub-fund of CIS FUND OFC, an open-ended fund company with variable share capital incorporated in Hong Kong. CIS SAM is the investment manager of the Subscriber. Grateful Heart Inc. is an investor in the Subscriber whose investment as at the Latest Practicable Date accounted for 80% of the entire investment amount in the Subscriber. Grateful Heart Inc. is owned as to 70% by Mr. Kenichi Yanase and therefore Mr. Kenichi Yanase is deemed to be interested in the same number of Shares held by Grateful Heart Inc.

(2) The total number of Shares in issue upon the Capital Reorganisation becoming effective and immediately after Completion (i.e. 1,420,673,262 New Shares) has been used for the calculation of the approximate percentage.

(3) The total number of Shares in issue as at the Latest Practicable Date (i.e. 11,365,386,067 Shares) has been used for the calculation of the approximate percentage.

(4) Tongda Enterprises Limited is a company incorporated in the BVI, all of the issued shares of which were owned by Mr. Pan.

(5) Ms. Zheng Jiaying, being the spouse of Mr. Pan, is deemed to be interested in the same number of Shares held by Mr. Pan and Tongda Enterprises Limited.

Save as disclosed above, as at the Latest Practicable Date, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

Mr. Yau Pak Yue has entered into a letter of appointment with the Company for a term of three years commencing from 14 December 2020, subject to termination by the Company giving not less than three months' prior notice in writing and retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules. Mr. Yau Pak Yue is entitled to an annual fee of HK$120,000 for acting as an independent non-executive Director and a committee member of the Board. There is no variable remuneration payable under the letter of appointment.

Mr. Kong Tat Yee has entered into a letter of appointment with the Company for a term of three years commencing from 22 March 2021, subject to termination by the Company giving not less than three months' prior notice in writing and retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules. Mr. Kong Tat Yee is entitled to an annual fee of HK$120,000 for acting as an independent non-executive Director and a committee member of the Board. There is no variable remuneration payable under the letter of appointment.

Mr. Zheng Zhen has entered into a letter of appointment with the Company for a term of three years commencing from 30 April 2021, subject to termination by the Company giving not less than three months' prior notice in writing and retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules. Mr. Zheng Zhen is entitled to an annual fee of HK$120,000 for acting as an independent non-executive Director and a committee member of the Board. There is no variable remuneration payable under the letter of appointment.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the 13 May 2022 Announcement;

(ii) was a continuous contract with a notice period of 12 months or more;

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(iv) which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any proposed Director nor their respective close associates had any interests in a business, which competed or was likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

7. INTERESTS IN CONTRACTS OR ARRANGEMENTS

So far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or proposed Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

8. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

(a) Save for the shares required to facilitate the Placing Down, no Shares acquired by the Subscriber, CIS SAM and any person acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) in pursuance of the Subscription will be transferred, charged or pledged to any other persons.

(b) As at the Latest Practicable Date, neither the Subscriber, CIS SAM nor any parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) held or had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.

(c) As at the Latest Practicable Date, the directors of CIS FUND OFC, the umbrella fund of the Subscriber, were not interested in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

(d) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolution approving the Restructuring Transactions and the Whitewash Waiver.

(e) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Subscriber, CIS SAM or any party acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited), and any other person.

(f) As at the Latest Practicable Date, none of the the Subscriber, CIS SAM or parties acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited) has borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, save for any borrowed Shares which have been either on-lent or sold.

(g) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Subscriber, CIS SAM or any party acting in concert with any of them (including Grateful Heart, Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments and CIS Group Limited); and (ii) any Director, recent Director, Shareholder or recent Shareholder having any connection with or dependence upon the Restructuring Transactions and the Whitewash Waiver.

(h) As at the Latest Practicable Date, none of the Company and the Directors had owned or controlled, or were interested in any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of the Subscriber.

(i) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" or who was an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code had owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.

(j) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and none of them had owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.

(k) As at the Latest Practicable Date, no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.

(l) Mr. Pan, being the only Director who is interested in the Shares, will abstain from voting at the SGM.

(m) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

(n) As at the Latest Practicable Date, none of the Directors had dealt for value in the Shares, convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.

(o) As at the Latest Practicable Date, no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Restructuring Transactions and the Whitewash Waiver.

(p) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Restructuring Transactions and the Whitewash Waiver or otherwise connected therewith.

(q) As at the Latest Practicable Date, other than the Subscription Agreement and the Finder's Fee Agreement, there was no material contract entered into by the Subscriber, its ultimate beneficial owners or any person acting in concert with any one of them in which any Director had a material personal interest.

(r) As at the Latest Practicable Date, save for the interests disclosed in the section "4. Disclosure of Interests" in this appendix, none of the Directors held any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

9. LITIGATION

On 19 March 2022, the Company received a winding-up petition filed by Harbor Sure with the Supreme Court against the Company which arose as a result of the Company's alleged failure as guarantor to pay the principal amounts and default interests owed by a wholly-owned subsidiary of the Company to Harbor Sure pursuant to a facility agreement entered into between, among others, such wholly-owned subsidiary of the Company as borrower and Harbor Sure as lender.

Upon application by the Company for an adjournment of the winding-up hearing in respect of the Petition, after a number of hearings, at a hearing on 14 April 2023, the Supreme Court ordered that the hearing of the Petition be adjourned to 9:30 a.m. on Friday, 14 July 2023 (Bermuda time).

Please refer to the announcements of the Company dated 21 March 2022, 24 March 2022, 24 April 2022, 3 May 2022, 17 May 2022, 19 June 2022, 17 August 2022, 18 December 2022 and 14 April 2023 for further details in relation to the Petition.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualifications
Ample 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
PKF Hong Kong Limited	Certified Public Accountants
Cushman & Wakefield Limited	Independent property valuer

Each of Ample Capital, PKF Hong Kong Limited and Cushman & Wakefield Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Ample Capital, PKF Hong Kong Limited and Cushman & Wakefield Limited did not have any shareholding in any member of the Group or the 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, each of Ample Capital, PKF Hong Kong Limited and Cushman & Wakefield Limited did not have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the 13 May 2022 Announcement and up to the Latest Practicable Date and are or may be material:

(a) a conditional preliminary sale and purchase agreement dated 28 March 2021 and entered into among Vivalink, Retain Prosper Group Limited ("**Retain Prosper**"), a company incorporated in the BVI with limited liability, and the Company in relation to the sale and purchase of 10,000 ordinary shares of US$1.00 each (the "**Sale Shares**") in Splendor Keen Limited ("**Splendor Keen**"), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company and all the interests, benefits and rights of and in the shareholder's loan owed by Splendor Keen to Vivalink (the "**Sale Loan**") at the consideration of HK$790,000,000 (subject to adjustment), further details of which are set out in the announcement of the Company dated 14 April 2021;

(b) a conditional formal sale and purchase agreement dated 27 May 2021 and entered into among Vivalink, Retain Prosper and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loan at the consideration of HK$790,000,000 (subject to adjustment), further details of which are set out in the announcement of the Company dated 1 June 2021 and the circular of the Company dated 24 August 2021;

(c) a non-legally binding term sheet (except certain provisions) dated 11 May 2022 entered into between the Company and Jet Power Investments Limited ("**Jet Power**") in relation to, among others, the proposed debt restructuring of the Company comprising a possible subscription of Shares by Jet Power representing 90% of the issued share capital of the Company as enlarged by the allotment and issue of such new Shares and the implementation of a proposed scheme of arrangement to be implemented to settle the Company's liabilities, further details of which are set out in the 13 May 2022 Announcement;

(d) the Finder's Fee Agreement;

(e) the conditional subscription agreement dated 11 July 2022 entered into between the Company and the Subscriber in respect of, among others, the Subscription;

(f) the supplemental agreement dated 9 September 2022 and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make certain amendments to the subscription agreement set out in sub-paragraph (e) above;

(g) the second supplemental agreement dated 3 March 2023 and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make further amendments to the subscription agreement set out in sub-paragraph (e) above;

(h) the third supplemental agreement dated 2 June 2023 and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make further amendments to the subscription agreement set out in sub-paragraph (e) above; and

(i) the fourth supplemental agreement dated 20 June 2023 and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make further amendments to the subscription agreement set out in sub-paragraph (e) above.

12. MISCELLANEOUS

The English text of this circular shall prevail over Chinese text in case of any inconsistency.

13. INFORMATION OF THE SUBSCRIBER

(a) The principal members of the Subscriber's concert group are Grateful Heart Inc., Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments, CIS Group Limited and CIS SAM.

(b) The address of the Subscriber, CIS FUND OFC, CIS Investments and CIS SAM is 21/F., Centre Point, 181-185 Gloucester Road, Wan Chai, Hong Kong.

(c) The address of CIS Group Limited is Vistra Corporate Services Centre, Ground Floor, NPF Building, Beach Road, Apia, Samoa.

(d) The address of Grateful Heart Inc. is Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands.

(e) The address of Mr. Kenichi Yanase is 307-3-21, Ichibancho, Chiyoda-ku, Tokyo, Japan.

(f) The address of Dr. Hiroshi Kaneko is Flat 9B, Sunrise, Discovery Bay, Lantau Island, Hong Kong.

(g) The directors of CIS FUND OFC, the umbrella fund of the Subscriber are Mr. Chung Ho Wai Alan and Mr. Tan Beiquan.

(h) The directors of CIS SAM and CIS Investments are Mr. Chu Wai Leung and Mr. Chung Ho Wai Alan.

(i) The directors of CIS Group Limited, being the ultimate parent company of CIS SAM, are Mr. Chung Ho Wai Alan and Mr. Mak Lam.

(j) The ultimate controlling shareholder of each of CIS SAM, CIS Investments and CIS Group Limited is Ms. Kan King Yee Karen.

14. GENERAL

(a) The company secretary of the Company is Ms. Xu Jing, who is a fellow of the Association of Chartered Certificated Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The principal place of business of the Company in Hong Kong is at Room 1811, 18/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong.

(d) The branch share registrars and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Company (www.fullsun.com.hk), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the instrument of incorporation of CIS FUND OFC;

(c) the annual reports of the Company for each of the financial years ended 31 December 2020, 2021 and 2022;

(d) the interim report of the Company for the six months ended 30 June 2022;

(e) the letter from the Board, the text of which is set out on pages 16 to 76 of this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 77 to 78 of this circular;

(g) the letter from the Independent Financial Adviser, the text of which is set out on pages 79 to 116 of this circular;

(h) the report on the review of the financial information of the Scheme Subsidiaries issued by PKF Hong Kong Limited as set out in Appendix II to this circular;

(i) the report on the unaudited pro forma financial information of the Retained Group issued by PKF Hong Kong Limited as set out in Appendix III to this circular;

(j) the valuation report of the Properties prepared by Cushman & Wakefield Limited as set out in Appendix V to this circular;

(k) the letter of appointments of each of Mr. Yau Pak Yue, Mr. Kong Tat Yee and Mr. Zheng Zhen as referred to in the paragraph headed "5. Directors' Service Contracts" in this appendix;

(l) the Letter from the Reporting Accountant on the loss figures relating to the Scheme Subsidiaries and on the gain expected to accrue to the Company as a result of the Group Reorganisation as set out in Appendix VII to this circular;

(m) the Letter from the Independent Financial Adviser on the loss figures relating to the Scheme Subsidiaries and on the gain expected to accrue to the Company as a result of the Group Reorganisation as set out in Appendix VIII to this circular;

(n) the written consents referred to in the paragraph headed "10. Experts and consents" in this appendix;

(o) the material contracts as referred to in the paragraph headed "11. Material contracts" in this appendix; and

(p) this circular.

PKF

大信梁學濂（香港）會計師事務所有限公司

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

23 June 2023

The Directors

Fullsun International Holdings Group Co., Limited
Room 1811, 18/F,
V. Heun Building, 138 Queen's Road Central,
Central, Hong Kong

Dear Sirs,

Fullsun International Holding Group Co., Limited (the "Company")

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of (1) the unaudited financial information of Scheme Subsidiaries set out on pages 63 to 64 of the Circular (the "**Unaudited Financial Information**"), which comprises (a) the unaudited consolidated loss before and after tax and net liabilities of the Unrestricted Scheme Subsidiaries and the Deconsolidated Subsidiaries, on a combined basis, for the years ended 31 December 2020, 2021 and 2022; and (b) the unaudited net liabilities of the Scheme Subsidiaries, on a combined basis, for the years ended 31 December 2020, 2021 and 2022; and (2) the disposal gain expected to accrue to the Company as a result of the Group Reorganisation set out on pages 69 to 70 of the Circular (the "**Disposal Gain**"). The Unaudited Financial Information is prepared and compiled and the Disposal Gain is calculated, respectively, by the Directors for inclusion in the circular of the Company dated 23 June 2023 (the "**Circular**") in connection with the Very Substantial Disposal in Relation to Transfer of the Scheme Subsidiaries to the SchemeCo Pursuant to Creditors' Scheme issued by the Company. We understand that the Unaudited Financial Information and the Disposal Gain are regarded as profit forecasts under the Code on Takeovers and Mergers and, therefore, are required to be reported on under Rule 10 of the Takeovers Code.

DIRECTORS' RESPONSIBILITIES

The Unaudited Financial Information has been prepared and compiled by the Directors based on the unaudited combined management accounts of the Scheme Subsidiaries prepared by the Directors. The Disposal Gain was calculated by the Directors based on the unaudited management accounts. The Unaudited Financial Information and the Disposal Gain were prepared on a basis consistent with the accounting policies adopted by the Company and its subsidiaries (the "**Group**") as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022. The Directors' responsibilities include designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the calculations in the preparation of the Unaudited Financial Information and the Disposal Gain that are free from material misstatement; applying appropriate accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022; and making estimates that are reasonable in the circumstances.

The Directors are solely responsible for the compilation of the Unaudited Financial Information and the Disposal Gain.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1 "Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

It is our responsibility to report, as required by Rule 10 of the Takeovers Code. We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE3000 (Revised)**") issued by the HKICPA.

Our work consisted primarily of procedures such as (a) obtaining an understanding of the basis of preparation and the principal accounting policies adopted for compiling the Unaudited Financial Information and the Disposal Gain through inquires primarily of persons responsible for financial and accounting matters; (b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the calculations in the preparation of the Unaudited Financial Information and the Disposal Gain, (c) comparing the principal accounting policies adopted in the preparation of the Unaudited Financial Information and the Disposal Gain with those adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022, (d) checking solely the arithmetical calculations and the compilation of the Unaudited Financial Information and the Disposal Gain, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to the preparation of the Unaudited Financial Information and the Disposal Gain.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Financial Information and the Disposal Gain.

OPINION

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information and the Disposal Gain have been properly compiled in accordance with the bases adopted by the Directors as set out under the paragraph headed "Directors' Responsibilities" of this report and have been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Yours faithfully,
PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
23 June 2023

AmCap
Ample Capital Limited
豐盛融資有限公司

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

23 June 2023

The Board of Directors
Fullsun International Holdings Group Co., Limited
Room 1811, 18/F,
V Heun Building,
138 Queen's Road Central,
Central, Hong Kong

Dear Sirs,

We refer to the circular of Fullsun International Holdings Group Co., Limited (the "**Company**") dated 23 June 2023 in relation to, among other matters, the Capital Reorganisation, the Subscription, the Specific Mandate, the Whitewash Waiver and the Scheme (the "**Circular**"). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

We refer to (1) the unaudited financial information of Scheme Subsidiaries set out on pages 63 to 64 of the Circular (the "**Unaudited Financial Information**"), which comprises (a) the unaudited consolidated loss before and after tax and net liabilities of Unrestricted Scheme Subsidiaries and Deconsolidated Subsidiaries, on a combined basis, for the years ended 31 December 2020, 2021 and 2022; and (b) the unaudited net liabilities of the Scheme Subsidiaries, on a combined basis, for the years ended 31 December 2020, 2021 and 2022; and (2) the disposal gain expected to accrue to the Company as a result of the Group Reorganisation set out on pages 69 to 70 of the Circular (the "**Disposal Gain**"). The Unaudited Financial Information and the Disposal Gain are regarded as profit forecasts under the Code on Takeovers and Mergers and, therefore, are required to be reported on under Rule 10 of the Takeovers Code.

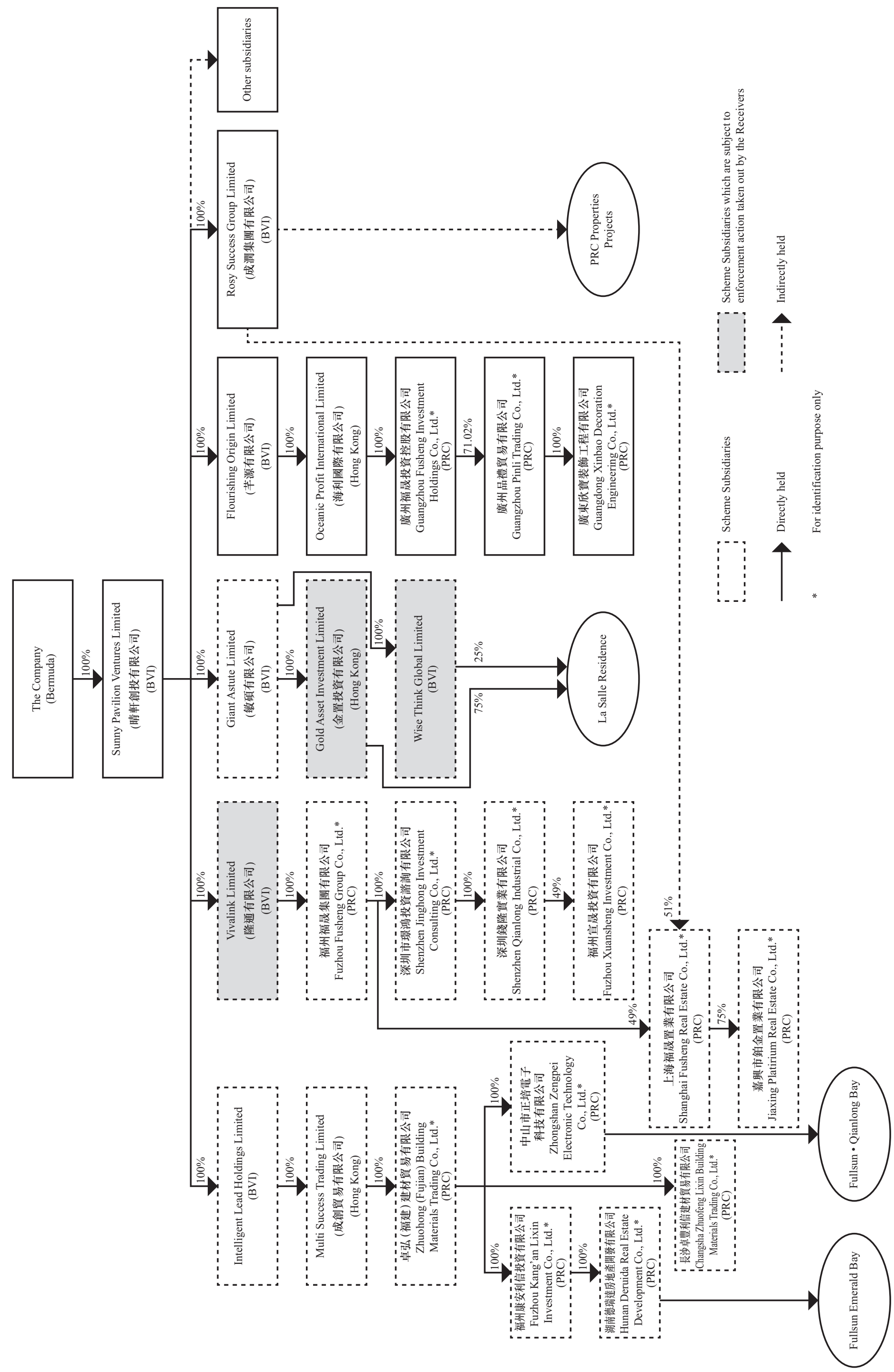
The Unaudited Financial Information have been compiled and prepared by the Directors based on the unaudited management accounts of the Scheme Subsidiaries for the years ended 31 December 2020, 2021 and 2022 (the "**Unaudited Management Accounts**"). The Disposal Gain was calculated by the Directors based on the Unaudited Management Accounts. We have reviewed the Unaudited Financial Information, the Unaudited Management Accounts, the financial information of the Scheme Subsidiaries for the years ended 31 December 2020, 2021 and 2022 set out in appendix II to the Circular (the "**Scheme Subsidiaries' Unaudited Financial Statements**") and have discussed with the management of the Group the key bases upon which the financial information was prepared.

We have also considered the report on the Unaudited Financial Information and the Disposal Gain dated 23 June 2023 issued by PKF Hong Kong Limited to the board of directors of the Company. PKF Hong Kong Limited is of the opinion that, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information and the Disposal Gain have been properly compiled in accordance with the bases adopted by the directors of the Company as set out under the paragraph headed "Directors' Responsibilities" of the report and has been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Based on the above, we are satisfied that the Unaudited Financial Information and the Disposal Gain, for which the Directors are solely responsible, have been prepared and made by the Directors with due care and consideration.

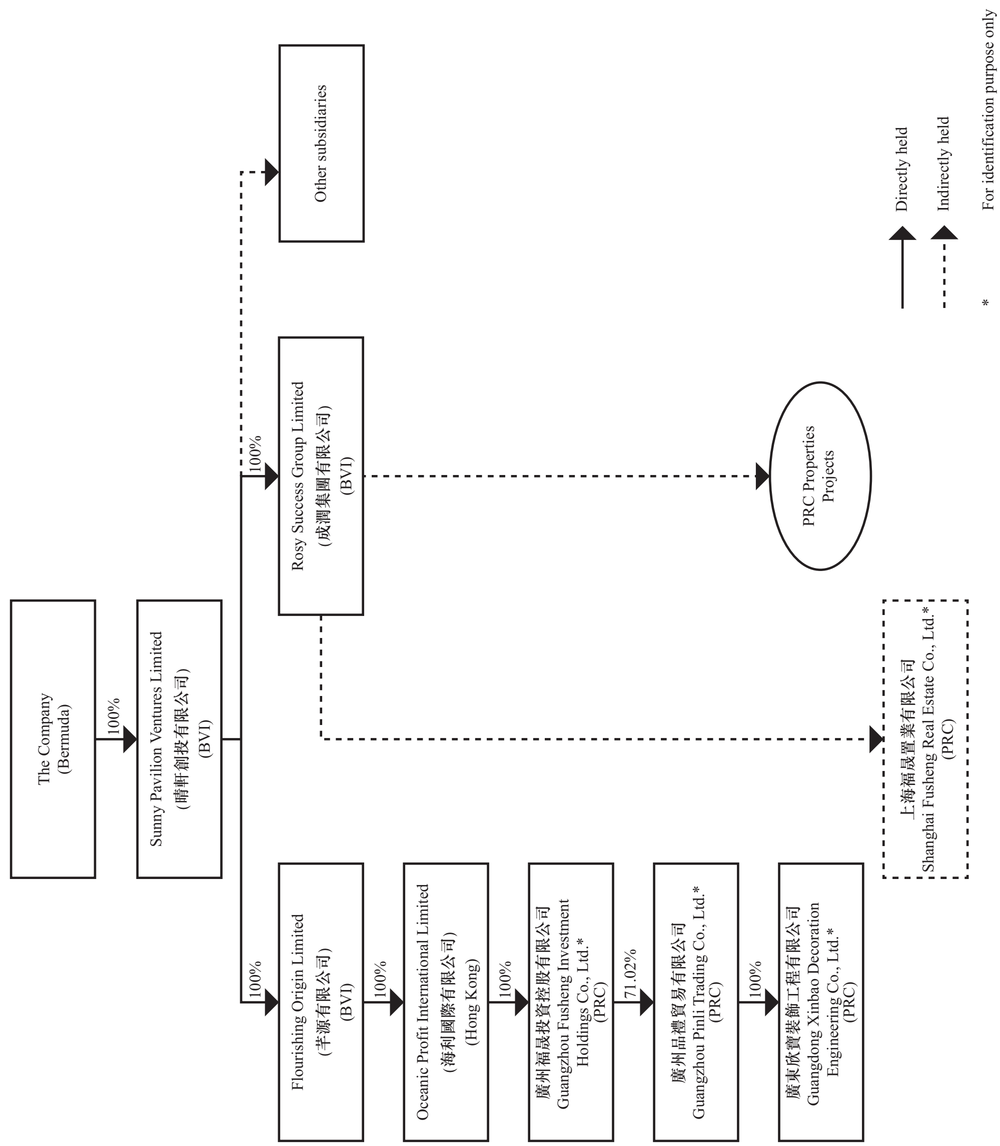
Yours faithfully,
For and on behalf of
Ample Capital Limited
Jenny Law
Vice President

Simplified shareholding structure of the Group as at the Latest Practicable Date



Note: Shanghai Fusheng is owned as to 49% indirectly by Vivalink and as to 51% indirectly by Rosy Success.

Simplified shareholding structure of the Group upon completion of the Group Reorganisation



FULLSUN INTERNATIONAL HOLDINGS GROUP CO., LIMITED
福晟國際控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00627)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of the shareholders (the "**Shareholders**") of Fullsun International Holdings Group Co., Limited (the "**Company**") will be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 13 July 2023 for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the subscription agreement (the "**Subscription Agreement**") dated 11 July 2022 (a copy of which is produced to the Meeting marked "**A**" and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Company and CIS FUND OFC – CIS OPPORTUNITIES I FUND (the "**Subscriber**") pursuant to which, among others, the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 1,307,019,402 New Shares (as defined below)(the "**Subscription Shares**") at the subscription price of HK$168,000,000 (the "**Subscription**") and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the supplemental agreement (the "**Supplemental Agreement**") to the Subscription Agreement dated 9 September 2022 (a copy of which is produced to the Meeting marked "**B**" and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make certain amendments to the Subscription Agreement, be and are hereby approved, confirmed and ratified;

(c) the supplemental agreement (the "**Second Supplemental Agreement**") to the Subscription Agreement (as supplemented and amended by the Supplemental Agreement) dated 3 March 2023 (a copy of which is produced to the Meeting marked "**C**" and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make certain amendments to the Subscription Agreement, be and are hereby approved, confirmed and ratified;

(d) the supplemental agreement (the "**Third Supplemental Agreement**") to the Subscription Agreement (as supplemented and amended by the Supplemental Agreement and the Second Supplemental Agreement) dated 2 June 2023 (a copy of which is produced to the Meeting marked "**D**" and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make certain amendments to the Subscription Agreement, be and are hereby approved, confirmed and ratified;

(e) the supplemental agreement (the "**Fourth Supplemental Agreement**") to the Subscription Agreement (as supplemented and amended by the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) dated 20 June 2023 (a copy of which is produced to the Meeting marked "**E**" and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Company and the Subscriber pursuant to which the Company and the Subscriber have agreed to make certain amendments to the Subscription Agreement, be and are hereby approved, confirmed and ratified;

(f) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in the Subscription Shares, the directors (the "**Directors**") of the Company be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement (as supplemented and amended by the Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement); and

(g) any one of the directors of the Company be and is hereby authorised generally to sign and execute such documents and do all such acts and things and to take all such steps as he/she considers necessary, expedient or desirable in connection with and to give effect to the Subscription Agreement (as supplemented and amended by the Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement) and the transactions contemplated thereunder."

2. "**THAT**:

(a) the scheme of arrangement (the "**Scheme**") material particulars whereof are disclosed in the scheme of arrangement document of the Company dated 27 April 2023 and despatched to the creditors (the "**Creditors**") of the Company (details of the major terms of the Scheme are set out in the section headed "Letter from the Board – The Scheme" in the circular (the "**Circular**") of the Company dated 23 June 2023), which is to be effected as a scheme under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), be and is hereby approved, confirmed and ratified, subject to any modification thereof or addition thereof approved or imposed by the High Court of Hong Kong (if any);

(b) the proposed payment of cash, funded from the net proceeds of the Subscription under Resolution no. 1 and the proposed distribution of the Residual Value (as defined in the Circular) (if any) to Creditors on a pro-rata basis in accordance with the terms of the Scheme be and are hereby approved; and

(c) any one of the directors of the Company be and is hereby authorised generally to sign and execute such documents and do all such acts and things and to take all such steps as he/she considers necessary, expedient or desirable in connection with and to give effect to the Scheme and the transactions contemplated thereunder."

3. "**THAT**:

(a) the transfer of all the issued shares in each of Intelligent Lead Holdings Limited, Vivalink Limited and Giant Astute Limited (both indirect wholly-owned subsidiaries of the Company) from Sunny Pavilion Ventures Limited (a direct wholly-owned subsidiary of the Company) as transferor, to a special purpose vehicle to be incorporated in Hong Kong and entirely held and controlled by the administrators of the scheme of arrangement (the "**Scheme**") proposed by the Company under sections 670, 671, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) between the Company and the creditors of the Company as transferee, at nil consideration pursuant to the terms of the Scheme (the "**Group Reorganisation**") be and is hereby approved; and

(b) any one of the directors of the Company be and is hereby authorised generally to sign and execute such documents and do all such acts and things and to take all such steps as he/she considers necessary, expedient or desirable in connection with and to give effect to the Group Reorganisation and the transactions contemplated thereunder."

SPECIAL RESOLUTIONS

4. "**THAT** subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the ordinary shares (the "**Shares**") of the Company of a par value of HK$0.01 each in the share capital of the Company immediately after the Capital Reorganisation (as defined below)(the "**New Shares**"); and (ii) the compliance with all relevant procedures and requirements under the laws of Bermuda (where applicable) and the Rules Governing the Listing of Securities on the Stock Exchange to effect the Capital Reorganisation (as defined below), with effect from the second (2nd) business day after the date on which this resolution is passed or the above conditions are fulfilled (whichever is later):

(a) every one hundred (100) issued Shares of par value HK$0.01 each in the authorised share capital of the Company be consolidated into one (1) issued consolidated Share (each a "**Consolidated Share**") with a par value of HK$1.00 (the "**Share Consolidation**");

(b) subject to and forthwith upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share be reduced from HK$1.00 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$0.99 on each of the then issued Consolidated Shares and all fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation be cancelled (the "**Capital Reduction**" together with the Share Consolidation, the "**Capital Reorganisation**");

(c) all the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company for use by the Directors and the Directors be and are hereby authorised to fully apply the amount in the contributed surplus account of the Company to set off part of the consolidated accumulated loss of the Company on a dollar-to-dollar basis in the manner permitted by the laws of Bermuda and the bye-laws of the Company without further authorisation from the Shareholders; and

(d) any one of the directors of the Company be and is hereby authorised generally to sign and execute such documents and do all such acts and things and to take all such steps as he/she considers necessary, expedient or desirable in connection with and to give effect to the Capital Reorganisation."

5. "**THAT**:

(a) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates and the satisfaction of any conditions attached thereto, the waiver (the "**Whitewash Waiver**") of the obligation on the part of the Subscriber (as defined in Resolution no. 1) and CIS Securities Asset Management Limited to make a mandatory general offer to the shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by the Subscriber, CIS Securities Asset Management Limited and any parties acting in concert with any of them (including Grateful Heart Inc., Mr. Kenichi Yanase, Dr. Hiroshi Kaneko, CIS Investments Limited and CIS Group Limited) which would otherwise arise as a result of completion of the Subscription (as defined in Resolution no. 1) in accordance with the Subscription Agreement (as defined in Resolution no. 1), as supplemented and Amended from time to time, pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers be and is hereby approved; and

(b) any one of the directors of the Company be and is hereby authorised generally to sign and execute such documents and do all such acts and things and to take all such steps as he/she considers necessary, expedient or desirable in connection with and to give effect to the Whitewash Waiver and the transactions contemplated thereunder."

By order of the board of directors
Fullsun International Holdings Group Co., Limited
Pan Haoran
Executive Director and Chief Executive Officer

Hong Kong, 23 June 2023

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
Room 1811, 18/F
V Heun Building
138 Queen's Road Central
Central
Hong Kong

Notes:

1. A Shareholder entitled to attend and vote at the meeting may appoint another person as his or her proxy to attend and to vote in his/her/its stead. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote in his/her/its stead. On a poll, votes may be given either personally (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a Shareholder.

2. Where there are joint registered holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the company secretary of the Company, at Room 1811, 18/F, V Heun Building, 138 Queen's Road Central, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting if Shareholders so wish and in such event, the form of proxy shall be deemed to be revoked.

5. The resolutions set out in this notice will be put to Shareholders to vote by way of a poll.

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Pan Haoran and Mr. Li Jinrong and three independent non-executive Directors, namely Mr. Kong Tat Yee, Mr. Yau Pak Yue and Mr. Zheng Zhen.