
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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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DIWANG INDUSTRIAL HOLDINGS LIMITED**帝王實業控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 25 to 46 of this circular.

A notice convening the EGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 29 November 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM (or any adjournment thereof) is also enclosed.

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

Hong Kong, 10 November 2023

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DEFINITIONS

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

“Acquisition”	the acquisition of the Properties by the Purchaser from the Vendor under the Property Transfer Agreement
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Company”	Diwang Industrial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1950)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Property Transfer Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition in the amount of RMB30 million
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting or any adjournment thereof of the Company to be convened for the purpose of considering and, if thought fit, approving the Property Transfer Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising Mr. Au Hei Ching, Mr. Lee Cheung Yuet Horace, Mr. Zheng Yu and Ms. Zhou Xiaochun, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Property Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Chen Hua and his associates
“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons
“Independent Valuer”	Royson Valuation Advisory Limited, an independent professional valuer appointed by the Company for the valuation of the Properties
“Landlord Legal Restructuring Parties”	the Then Landlord and its investors for the purpose of the Then Landlord’s bankruptcy restructuring (including Zijin Zhunqian), all of which are Independent Third Parties
“Long Stop Date”	15 December 2023 or such later date as may be agreed between the parties to the Property Transfer Agreement in writing
“Leased Properties”	Level 16 of the Properties
“Properties”	the premises located at unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “E1”) of Zihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市西湖區三墩鎮紫金眾創小鎮核心區浙大森林西園八路3號智匯眾創中心1號樓(又稱“E1 樓”) 16層1601, 1602, 1603, 1604室及17層1701, 1702, 1703及1704室)

DEFINITIONS

“Latest Practicable Date”	6 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Lease Agreement”	the lease agreement dated 5 June 2023 entered into between Hangzhou Qiyue as lessor and the Purchaser as lessee in relation to the leasing of Level 16 of the Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Property Transfer Agreement”	the property transfer agreement dated 23 December 2013 entered into between the Purchaser and the Then landlord of the Properties as vendor (an Independent Third Party) to purchase the Properties at a consideration of approximately RMB25.4 million
“Purchaser”	Zhejiang Sunlight Material Technology Co., Ltd.* (浙江深藍新材料科技有限公司), a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Property Transfer Agreement”	the property transfer agreement dated 9 October 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Adviser”	AllBright (Hangzhou) Law Office (上海錦天城(杭州)律師事務所), legal adviser as to the legal due diligence on the Property Transfer Agreement and the transactions contemplated thereunder
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company

* For identification purpose only

DEFINITIONS

“Shareholder(s)”	the duly registered holder(s) of the ordinary share(s) of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed to it under the Listing Rules
“Then Landlord”	Zhejiang Zheda Wangxin Industry Development Co., Ltd.* (浙江浙大網新實業發展有限公司), the then landlord of the Properties and being the vendor of the Original Property Transfer Agreement
“Transfer Agreement”	the transfer agreement dated 20 March 2018 entered into between Zhejiang Sunlight Material Technology Co., Ltd.* (浙江深藍新材料科技有限公司) as transferor and Hangzhou Qiyue as transferee to transfer the title and risks of the Properties
“Vendor” or “Hangzhou Qiyue”	Hangzhou Qiyue Investment Management Co., Ltd.* (杭州啟越投資管理有限公司), a company established under the laws of the PRC with limited liability and is wholly-owned by Mr. Chen Hua
“Zijin Zhunqian”	Hangzhou Zijin Zhunqian Technology Development Co. Ltd.* (杭州紫金准乾科技發展有限公司)
“%”	per cent

* *For identification purpose only*

Unless otherwise stated, in the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

LETTER FROM THE BOARD

DIWANG INDUSTRIAL HOLDINGS LIMITED

帝王實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

Executive Directors

Mr. Chen Hua

Mr. Lam Kam Kong Nathaniel

Mr. Tse Chun Chung

Mr. Sun Jingang

Registered office:

Ogier Global (Cayman) Limited

89 Nexus Way, Camana Bay

Grand Cayman KY1-9009

Cayman Islands

Independent non-executive Directors

Mr. Au Hei Ching

Mr. Lee Cheung Yuet Horace

Mr. Zheng Yu

Ms. Zhou Xiaochun

Head Office and Principal Place of

Business in the PRC:

No.2, Jiangshan Road

Meicheng Town

Jiande County

Hangzhou City

Zhejiang Province

PRC

Principal Place of

Business in Hong Kong:

Suites 4404-10, 44/F

One Island East

18 Westlands Road, Taikoo Place

Hong Kong

10 November 2023

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF PROPERTIES AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcements of the Company dated 9 October 2023 and 31 October 2023 in relation to the Acquisition. On 9 October 2023, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Property Transfer Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) to the Purchaser at a consideration of RMB30 million.

The purpose of this circular is to provide you with (i) this letter from the Board containing further information on the Acquisition; (ii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) the notice convening the EGM.

BACKGROUND OF THE ACQUISITION

On 23 December 2013, the Purchaser entered into the Original Property Transfer Agreement with the Then Landlord (who is an Independent Third Party) to purchase the Properties at a consideration of approximately RMB25.4 million for the Purchaser's office, research and development use. In accordance with the terms of the Original Property Transfer Agreement, an aggregate of RMB22.86 million, representing 90% of the consideration of the Properties had been paid by the Purchaser to the Then Landlord on or before 15 January 2014, and the remaining 10% of the consideration was obliged to be paid by the Purchaser to the Then Landlord upon completion of the application of relevant ownership certificates of the Properties. The Properties were handed over to the Purchaser for its use since May 2014 in accordance with the terms of the Original Property Transfer Agreement and as advised by the Then Landlord, where the Properties situated are part of the large-scale industrial research and development base project which was still under construction by the Then Landlord. As advised by the Then Landlord, as the development base under construction involves numerous units of premises with different construction completion period and the application of ownership certificates of the properties involves various review, registration and filing procedures and involves communications with different authorities such as Land Department, Taxation Department, Fire Protection Department, Construction Department and others, it is the policy of the Then Landlord to process the application of ownership certificates of the properties in the development base uniformly after completion of the project, which was expected to be in May 2019. As such, the relevant certificates of ownership of the Properties were contracted to be transferred to the Purchaser by 30 May 2019. As advised by the Company's PRC legal adviser, since (i) the completion inspection filing of the Properties had been obtained in accordance with the requirement under article 4 of the "Administrative Measures on the Filing of Acceptance Inspection upon Completion of Buildings and Municipal Infrastructure" (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), meaning that the Properties has completed the acceptance inspection and is ready for delivery and use legally; and (ii) the Then Landlord has handed on the Properties to the Purchaser for its usage in accordance with the terms of the Original Property Transfer Agreement. According to "Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Commercial Housing Sales Contract Disputes (2003)" (《最高人民法院關於審理商品房買賣合同糾紛案件適用法律若干問題的解釋(2003)》), the transfer of possession of the house shall be deemed as the delivery of the house for use, unless otherwise agreed by the parties. Therefore, the Group has the rights to lawfully use and occupy the Properties.

LETTER FROM THE BOARD

Before considering to acquire a premise in Hangzhou for long-term development of its business, the Purchaser had been leasing an office in the same city to support its daily business operations. Since then, the Purchaser had been liaising with property agents and closely monitoring advertisements from local developers (including the advertisements posted by the Then Landlord). Having evaluated, compared and sought advises from property agents on certain potential targets, the Purchaser considered the price, overall suitability and delivery time of the Properties to be most appropriate. Therefore, the Purchaser initiated contact with the sales department of the Then Landlord to proceed with the acquisition of the Properties.

Prior to proceeding with the Original Property Transfer Agreement, the Purchaser had performed background searches on the Then Landlord and its shareholders via publicly available resources. The Purchaser understood that (i) the Then Landlord is a subsidiary of a famous local developer and that a listed company listed on the Shanghai Stock Exchange has also participated in the investment of the Then Landlord; and (ii) no material negative press news or litigations against the Then Landlord was found at that time. The Purchaser had confidence in the background of the Then Landlord and believed that there were no apparent indication that would hinder the progress of acquiring the Properties with the Then Landlord. However, as the financial information of the Then Landlord is not publicly available and the Purchaser considered impracticable in obtaining permission to conduct financial due diligence on the Then Landlord for the purpose of the acquisition of the Properties, the Purchaser did not perform financial due diligence on the Then Landlord.

However, the Then Landlord subsequently filed a bankruptcy reorganisation application of the Then Landlord with the local court on 8 July 2014, the local court ruled on 20 August 2014 to accept the bankruptcy reorganisation application of the Then Landlord and appointed the bankruptcy administrator on the same date. Therefore, the Then Landlord went into bankruptcy proceedings and was under the control of the bankruptcy administrator for the purpose of its bankruptcy restructuring. As part of the framework of the draft restructuring proposal of the Then Landlord put forward by the bankruptcy administrator and approved by the creditors, the local court had approved the transfer of the assets possessed by the Then Landlord (including the Properties) to the Landlord Legal Restructuring Parties in November 2016 and therefore, the Original Property Transfer Agreement could not be completed as the Purchaser was not able to obtain the relevant certificate of ownership of the Properties at that time and it was uncertain whether the Purchaser would be able to receive any refund for the consideration already paid until the final outcome of the Then Landlord's bankruptcy restructuring could be determined.

Having considered that the completion of the restructuring proposal of the Landlord Legal Restructuring Parties might last for several years and with a view to mitigating the uncertainty as to the title of the Properties, on 20 March 2018, the Group entered into a transfer agreement (subsequently being supplemented and amended) with Hangzhou Qiyue to transfer the relevant rights and risks of the Properties to Hangzhou Qiyue at a consideration of RMB30 million and lease back the Leased Properties from Hangzhou Qiyue for the Group's office, research and development use (details were disclosed in the prospectus of the Company dated 27 February 2020 in relation to the listing of the Shares on the Mainboard of the Stock Exchange). The existing lease agreement with Hangzhou Qiyue in respect of the Leased Properties will expire on 31 December 2023.

LETTER FROM THE BOARD

The Purchaser had been in ongoing negotiations with the Landlord Legal Restructuring Parties to protect its rights in the Properties. The representative of the Landlord Legal Restructuring Parties had advised that subject to (i) the payment of the remaining 10% of the consideration for the Properties by the Purchaser; and (ii) the closing of the bankruptcy restructuring of the Then Landlord confirmed by the bankruptcy administrator, the Landlord Legal Restructuring Parties shall agree to transfer the relevant ownership certificates of the Properties in the name of Hangzhou Qiyue in light of the entering into the Transfer Agreement between the Purchaser and Hangzhou Qiyue to transfer the use rights of the Properties to Hangzhou Qiyue. The final payment of the consideration of the Properties was satisfied by the Purchaser and the representative of the Landlord Legal Restructuring Parties had on 21 March 2018 confirmed in writing to ratify that the Properties had been handed over to the Purchaser for its usage in accordance with the terms of the Original Property Transfer Agreement and agreed to transfer the relevant ownership certificates of the Properties in the name of Hangzhou Qiyue (the “**2018 Confirmation**”). The Company’s then PRC legal adviser advised that given the Landlord Legal Restructuring Parties had admitted the transfer of the using rights of the Properties to the Purchaser under the Original Property Transfer Agreement, the Transfer Agreement and have agreed to transfer the relevant ownership certificates of the Properties in the name of Hangzhou Qiyue, the Original Property Transfer Agreement and the Transfer Agreement are legally valid in this regard. Furthermore, as Hangzhou Qiyue has the legal rights to occupy and use the Properties, the entering into of the Lease Agreement between Hangzhou Qiyue and the Purchaser, which represents the true intention of both parties, is also legal and valid. However, due to the travelling restrictions and strict quarantine measures and local lockdown arrangements imposed in many areas in the PRC to prevent the spread of the COVID-19 pandemic, the progress of the bankruptcy restructuring of the Then Landlord was hindered significantly leading to the delay in completion of the bankruptcy restructuring of the Then Landlord. It was not until December of 2022, when the PRC government commenced to lift majority of the quarantine measures gradually, that the hindrances began to alleviate.

As at the Latest Practicable Date, the aforementioned restructuring proposal of the Landlord Legal Restructuring Parties has been completed and the relevant certificates of ownership of the Properties were issued in the name of Zijin Zhunqian, who is a member of the Landlord Legal Restructuring Parties. As far as the Company could understand, Zijin Zhunqian is one of the member of the investor group for the purpose of the bankruptcy restructuring of the Then Landlord identified by the bankruptcy administrator through public offering. Other than that, the Company has no further knowledge on the relationship between Zijin Zhunqian and the Then Landlord.

To the best knowledge, information and belief of the Directors after having made reasonable enquiries:

- i. The Then Landlord is principally engaged in real estate leasing, investment, planning, development, construction and operation of science and technology parks in the PRC and is ultimately owned as to (i) approximately 64.74% by Mr. Xu Qun (徐群先生); (ii) 25% by Zhejiang Insigma Technology Limited* (浙大網新科技股份有限公司), which is a listed company listed on the Shanghai Stock Exchange (stock code: 600797) and it principally engaged in software and information technology services business; (iii) approximately 6.84% by Mr. Dai Ming Liang (戴明良先生); and (iv) approximately 3.42% by Mr. Zhong Wei Da (仲偉大先生). Each of Mr. Xu Qun, Zhejiang Insigma Technology Limited* (浙大網新科技股份有限公司), Mr. Dai Ming Liang, Mr. Zhong Wei Da and their respective associates and/or ultimate beneficial owners are Independent Third Parties;

* For identification purpose only

LETTER FROM THE BOARD

- ii. Zijin Zhunqian is principally engaged in technology promotion and application services and is wholly-owned by Zhejiang Zheda Zijin Town Construction Investment Co., Ltd. (浙江浙大紫金小鎮建設投資有限公司), Zhejiang Zheda Zijin Town Construction Investment Co., Ltd.* (浙江浙大紫金小鎮建設投資有限公司), which is a company jointly established under the laws of the PRC with limited liability and is principally engaged in the real estate development in the PRC. The shareholders of Zhejiang Zheda Zijin Town Construction Investment Co., Ltd.* (浙江浙大紫金小鎮建設投資有限公司) involve State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government (浙江省人民政府國有資產監督管理委員會) and Zhejiang University (浙江大學). Zijin Zhunqian and its ultimate beneficial owners are Independent Third Parties; and
- iii. Save for the 2018 Confirmation, there is no other relationship, arrangement, agreement and/or undertaking (whether formal or informal, expressed or implied) among Zijin Zhunqian (including its ultimate beneficial owners), the Vendor, the Company and its connected persons and/or directors

To seek clarification on the issues in relation to the title of the Properties, the Group appointed a PRC legal adviser to engage in the negotiations with Zijin Zhunqian. The Group was given to understand that (i) Zijin Zhunqian had confirmed that the Purchaser has the legal rights to use and lease the Properties and has given its unconditional consent to cooperate with the application of the transfer of certificates of ownership of the Properties in the name of the Purchaser without consideration given that the Purchaser had fulfilled all payment obligations under the Original Property Transfer Agreement and that the representative of the Landlord Legal Restructuring Parties had admitted the Original Property Transfer Agreement and the Transfer Agreement on 21 March 2018 and in view of the entering into of the Property Transfer Agreement between the Purchaser and the Vendor. Furthermore, the Company's PRC legal adviser has also expressed its view that upon completion of the Property Transfer Agreement, there is no legal impediment for the Purchaser to obtain relevant certificates of ownership of the Properties from the PRC Government (i.e. the transfer application of the Properties to the real estate administrative department as disclosed in the section headed "Completion" in this circular). There is no agreement/contract/arrangement entered or to be entered between Zijin Zhunqian and the Company for the transfer of certificates of ownership of the Properties from Zijin Zhunqian. Given that conditions precedent (v) under the Property Transfer Agreement as set out in the section headed "conditions precedent" in the "Letter from the Board" to this circular has been fulfilled, the Company could not foresee any obstacles in transferring the title of the Properties upon Completion on the part of Zijin Zhunqian.

* *For identification purpose only*

LETTER FROM THE BOARD

THE ACQUISITION

The Board is pleased to announce that on 9 October 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Property Transfer Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) to the Purchaser at a consideration of RMB30 million.

The principal terms and conditions of the Property Transfer Agreement are set out as follows:

Date	9 October 2023
Parties:	(1) Zhejiang Sunlight Material Technology Co., Ltd.* (浙江深藍新材料科技有限公司) as the Purchaser; and (2) Hangzhou Qiyue Investment Management Co., Ltd.* (杭州啟越投資管理有限公司) as the Vendor
Properties:	unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “E1”) of Zihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市西湖區三墩鎮紫金眾創小鎮核心區浙大森林西園八路3號智匯眾創中心1號樓 (又稱 “E1 樓”) 16 層1601, 1602, 1603, 1604室及17層1701, 1702, 1703及1704室) with a total gross floor area of approximately 3,085 sq.m.

* For identification purpose only

LETTER FROM THE BOARD

**Consideration and
payment terms:**

The Consideration for the Acquisition is RMB30 million.

The Consideration shall be settled by the Purchaser to the Vendor in cash in following manners:

- RMB10 million, representing approximately 33.33% of the Consideration shall be payable by the Purchaser to the Vendor by 31 December 2023 or on the date of the Completion (whichever is later);
- RMB10 million, representing approximately 33.33% of the Consideration shall be payable by the Purchaser to the Vendor on or before 31 December 2024; and
- RMB10 million, representing approximately 33.34% of the Consideration shall be payable by the Purchaser to the Vendor on or before 31 December 2025.

Having considered that (i) no payment shall be made to the Vendor until the Purchaser could obtain the relevant certificate of ownership of the Properties upon Completion; and (ii) the whole payment is spitted into three installments for a period until 31 December 2025, which is favourable to the Company, the Company considers that the payment terms is fair and reasonable and is in the interests of the Company and its shareholders as a whole. The Consideration will be financed by the internal resources of the Group.

LETTER FROM THE BOARD

Basis of the Consideration:

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms and with reference to the indicative market value of the Properties of approximately RMB30,200,000 as at 31 August 2023 appraised by the Independent Valuer adopting market approach. In respect of the valuation of the Properties prepared by the Independent Valuer, the Company noted that the Independent Valuer did not assign commercial value to the Properties given that the Vendor has not obtained the certificates of ownership of the Properties. Due to the lack of the certificates of ownership, the Properties is not entitled to be transferred. However, the Independent Valuer has stated that, assuming the Vendor has obtained the relevant certificates of ownership of the Properties and is legally transferable in the market, the indicative market value of the Properties as at 31 August 2023 under market approach is RMB30,200,000.

In the light of (i) Zijin Zhunqian, the existing holder of the certificates of ownership of the Properties, has given its consent to cooperate with the application of the transfer of certificates of ownership of the Properties in the name of the Purchaser; and (ii) the Company has obtained legal opinion from its PRC legal adviser advising, among other things, (a) the Properties is free from any mortgages, charges and legal encumbrances which may cause adverse effect on the ownership of the Properties; (b) upon completion of the transfer of the relevant rights and risks of the Properties to Hangzhou Qiyue from the Purchaser in April 2018, Hangzhou Qiyue is entitled to occupy, lease and sub-lease the Properties and is entitled to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) in the market; and (c) upon completion of the Property Transfer Agreement, there is no legal impediment for the Purchaser to obtain relevant certificates of ownership of the Properties from the PRC Government, the Company is of the view that the aforementioned assumption applied by the Independent Valuer in arriving at the indicative market value of the Properties as at 31 August 2023 is achievable and that by referencing the indicative market value prepared by the Independent Valuer is a fair and reasonable basis in determining the Consideration in this regard. The Consideration is at a slight discount of approximately 0.66% compared with the aforementioned indicative market value of the Properties. The original acquisition cost of the Properties by the Vendor was RMB30 million.

LETTER FROM THE BOARD

Based on the above, the Directors (excluding Mr. Chen Hua who had abstained from voting at the Board meeting with respect to the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder due to his material interests in the Acquisition, the Property Transfer Agreement and the transactions contemplated thereunder and including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee contained in this circular) consider that the Consideration is fair and reasonable in this regard.

Conditions precedent:

Completion is conditional upon:

- (i). the passing of the ordinary resolution(s) by the Independent Shareholders at the EGM to approve the Property Transfer Agreement and the transactions contemplated thereunder;
- (ii). the Purchaser having obtained legal opinions from the PRC legal adviser appointed by the Purchaser regarding the transactions contemplated under the Property Transfer Agreement, so that the Purchaser is convinced that there are no ownership defects and no encumbrances on the Properties, and the legality and validity of the transactions contemplated under the Property Transfer Agreement;
- (iii). the Purchaser having obtained a valuation report issued by the Independent Valuer (the form and content of which are satisfactory to the Purchaser), which states that the indicative market value of the Properties as at 31 August 2023 is not less than RMB30 million;
- (iv). all necessary governmental and regulatory approvals related to the transfer of Properties have been obtained (if applicable); and

LETTER FROM THE BOARD

- (v). with respect to the Properties, if the property ownership rights of which are to be transferred and where the transfer of the property ownership rights is registrable under the relevant local policies, the Vendor shall procure Zijin Zhunqian to prepare and sign all application materials required for the registration of transfer of the property ownership rights in the Properties such that the Purchaser could proceed to apply for the registration of transfer of the property ownership rights in the name of the Purchaser to the relevant authorities on its own accord.

None of the above conditions precedent can be waived. If the above conditions precedent are not fulfilled on or before Long Stop Date, the Purchaser has the rights to terminate the Property Transfer Agreement in writing. In the event of termination, the Vendor shall refund to the Purchaser all payment already made by the Purchaser to the Vendor (if any) within three (3) Business Days from the date of the termination. In particular, in the event that the Purchaser could not obtain the ownership certificate of the Properties at Completion (i.e. condition (iv) as set out above could not be fulfilled), the Property Transfer Agreement shall be terminated. The Company confirms that no payment shall be paid by the Purchaser to the Vendor in the event that the Purchaser could not obtain the ownership certificate of the Properties at Completion and therefore, no refund shall be available upon termination of the Property Transfer Agreement. Upon termination of the Property Transfer Agreement, all obligations and responsibilities of the non-defaulting party to the Property Transfer Agreement shall be released save for any antecedent breach and compensation of the defaulting party and the rights and remedies available to the non-defaulting party.

As at the Latest Practicable Date, conditions precedent (ii), (iii) and (v) as set out above have been fulfilled.

Completion:

Subject to fulfillment of the above conditions precedent, Completion shall take place on or before 29 December 2023 (or such later date as the parties to the Property Transfer Agreement may agree in writing).

LETTER FROM THE BOARD

Upon Completion, the Purchaser shall obtain the relevant certificate of ownership of the Properties. Since the ownership certificates of the Properties has been issued to Zijin Zhunqian, the transfer of the ownership certificates of the Properties is regarded as second-hand transaction which is required to submit a transfer application of the Properties to the real estate administrative department. Upon submission of the transfer application, approximately 15 working days is normally required for the real estate administrative department to examine, approve and issue the new ownership certificates of the Properties in the Purchaser's name. In view of the above and in view of the date of the EGM to be on 29 November 2023 and having also considered that few days buffer should be provided to allow any unexpected delay occur during the completion process, it is justifiable to estimate that the Purchaser would be able to obtain the relevant certificate of ownership of the Properties by 29 December 2023. According to the relevant accounting standards of the Group, the Properties, after the completion of the transaction, will be accounted as property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes, are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Board assessment on the valuation of the Properties

The Company has made assessment on the reasonableness and appropriateness of the valuation on the Properties prepared by the Independent Valuer in terms of valuation method adopted, selected comparable, parameters used and computation, the assessment results are as follows:

LETTER FROM THE BOARD

Valuation method

The Company has enquired the Independent Valuer the reasonableness and appropriateness of using market approach in determining the market value of the Properties and was given to understand the Independent Valuer has considered the three generally accepted property valuation approaches namely the asset approach (cost approach), the market approach and the income approach and is of the view that market approach is the most appropriate approach in determining the market value of the Properties since (i) asset approach (cost approach) is only adopted when the market comparable is not available, however in this case, the sale comparable can be easily found in the market, hence asset approach (cost approach) is not adopted; and (ii) income approach is only adopted when the property is subject to tenancies, however in this case, the tenancies of the Properties is connected transaction (as defined under the Listing Rules), which should not be considered in the valuation of the Properties, hence income approach is not taken; and (iii) market approach is the most appropriate approach since sale comparable can be easily found in the market. The Independent Valuer also highlighted other benefits of the market approach, including its simplicity, clarity and the need for few or no assumptions. The market approach introduces objectivity in application as publicly available inputs are used under this approach. Having considered the above, the Company concurs with the Independent Valuer's adoption of the market approach as the primary valuation methodology.

Selected comparable

The Company has reviewed the six exhaustive and representative comparable properties selected by the Independent Valuer and the Company is given to understand that (i) the six comparable properties are gathered from a major and popular agency online platform of property transactions database in the PRC namely hz.58.com (58同城房產); (ii) the Independent Valuer has inspected the Properties prior to identifying comparable properties; and (iii) the six comparable properties are all (a) situated close to the Properties; (b) share similar characteristics of the Properties, particularly the usage, view, building age, location of floor levels and quantum, the Company is of the view that the selection criteria of the comparable properties are fair and reasonable and that the six comparable properties, which have been selected from a major and popular agency online platform of property transactions database in the PRC, are exhaustive and representative in this regard.

LETTER FROM THE BOARD

Parameters used and computation

In preparing the valuation of the Properties, the Independent Valuer has adopted the market approach. This involves the analysis of recent available market comparable properties to compare with the Properties. Each comparable property is analysed on the basis of its unit rate; each attribute of the comparable property is then compared with the Properties and where there is any difference, certain adjustments have been made on the unit rate of the comparable properties. This is done by making percentage adjustments to the unit rate for various factors, such as time, nature of transaction, location, usage, building age, floor level, view, interior condition and quantum between the comparable properties and the Properties which are commonly adopted for the valuation of properties. As advised by the Independent Valuer, the general basis of adjustment is if the aspect of the Properties are superior to the asking comparable properties, an upward adjustment is made. Alternatively, if the aspects of the Properties are inferior to the asking comparable properties, a downward adjustment is made. The Independent Valuer has applied the adjustments by assigning different weightings to the adjustment factors based on their professional judgement and experience and in accordance with the requirements set out by the HKIS Valuation Standards, the RICS Valuation Standards and the IVSC Valuation Standards. After applying the adjustments on the unit rate of the comparable properties, the Independent Valuer has adopted the averaged adjusted unit rate of the comparable properties to be the unit rate for the units of the respective floor level of the Properties. In this regard, the Company has examined the qualifications of the Independent Valuer and understand (i) the Independent Valuer has experience in the provision of a wide range of valuation services to numerous companies listed on the Stock Exchange; (ii) the Independent Valuer has assigned sufficient staff in preparing the valuation of the Properties; (iii) Mr. Lawrence Chan Ka Wah, the signing party of the valuation report of the Properties, is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 19 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Rim. Based on the above, the Company is of the view that it is justifiable and fair and reasonable for the Independent Valuer to apply such adjustments in the valuation of the Properties.

For details of the valuation of the Properties including further details of the value of inputs used by the Independent Valuer in determining the market value of the Properties and the detailed computation of the valuation of the Properties please refer to the valuation report for the Properties as set out in Appendix I to this circular.

LETTER FROM THE BOARD

INFORMATION ON THE PROPERTIES

The Properties are located at unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “E1”) of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市西湖區三墩鎮紫金眾創小鎮核心區浙大森林西園八路3號智匯眾創中心1號樓(又稱“E1樓”) 16層1601, 1602, 1603, 1604室及17層1701, 1702, 1703及1704室) with a gross floor area of approximately 3,085 sq.m.. As at the Latest Practicable Date, Level 16 of the Properties has been leased out by the Vendor to the Purchaser for office and research use which will be expired on 31 December 2023 at a monthly rental of RMB112,500 (exclusive of management fees and utilities expenses), while level 17 of the Properties is vacant.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is an established faux leather chemicals manufacturer in the PRC principally engaged in (i) the research and development, manufacturing and sale of coating agents and synthetic resins under its own brand; and (ii) the manufacturing and sale of Chinese baijiu products in the PRC.

The Purchaser is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the manufacturing and sales of faux leather chemicals.

INFORMATION ON THE VENDOR

The Vendor is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of investment management and consultation services in the PRC. As at the Latest Practicable Date, the Vendor is wholly-owned by Mr. Chen Hua, who is an executive Director. Therefore, the Vendor is an associate of Mr. Chen Hua and accordingly, the Vendor is a connected person of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the section headed “BACKGROUND OF THE ACQUISITION” in this circular, it is the original plan of the Group to acquire the Properties for office, research and development use. However, the transfer of the title of the Properties to the Purchaser was unfortunately being hindered due to the bankruptcy restructuring involving the Then Landlord. While the ownership certificates of the Properties should have been issued under the Purchaser’s name, in order to mitigate uncertainty as to the title of the Properties which may have material impact on the financial statements of the Company, with the support from Hangzhou Qiyue (a company wholly-owned by Mr. Chen Hua, the then controlling Shareholder), the Company entered into the Transfer Agreement with Hangzhou Qiyue to transfer the relevant rights and risks of the Properties to Hangzhou Qiyue at a consideration of RMB30 million and lease back the Leased Properties from Hangzhou Qiyue for the Group’s office, research and development use. The Company would like to emphasize that the entering into of the Transfer Agreement and the Lease Agreement merely represents the aforementioned support from Hangzhou Qiyue, Hangzhou Qiyue has no intention to take up the title of the Properties.

LETTER FROM THE BOARD

In light of the recent notification by the Landlord Legal Restructuring Parties in August 2023 the bankruptcy restructuring of the Then Landlord was closed and the transfer of the relevant ownership certificates of the Properties can be processed, and in view of the expiry of the Lease Agreement to be on 31 December 2023, the Company is of the view that it is the appropriate timing to buy back the relevant rights and risks of the Properties from Hangzhou Qiyue and complete the transfer of the relevant ownership certificates of the Properties in the Purchaser's name.

Given that Level 16 of the Properties have long been the office and research center of the Group's faux leather chemicals business, the Acquisition is in line with the long-term business strategies of the Group. Meanwhile, it would provide the Group with greater autonomy and stability over its business operations, which could eliminate business uncertainties associated with leasing the Properties. This would facilitate continuity and enable the Group to focus on the core business activities without the needs to consider relocation or re-negotiation of lease agreements.

Furthermore, the Acquisition is expected to be cost savings in the long run. While renting the Properties appears to be a short-term cost-effective solution, the cumulative expenses over time can be substantial. By acquiring the Properties, the Group can save future rental expenses and allocate those funds towards the Group's faux leather chemicals business.

After the Acquisition, Level 16 of the Properties will continue to be used by the Purchaser for office and research use. In respect of intended use of the level 17 of the Properties, in September 2023, the Group has been approved for a productivity expansion project in relation to 50,000 tons polyurethane resin and 6,000 tons polyol per annum (年產5萬噸聚氨酯樹脂、0.6萬噸水性色漿擴產項目) and as such, the Group plans to develop Level 17 of the Properties for research and development center as well as show room for the aforementioned project. In addition, to cope with business expansion, it is necessary to also establish an office base in Hangzhou to facilitate visits and communication with clients, suppliers, and other business partners. Hangzhou, as a provincial capital city, is more advantageous than Jiande in terms of recruiting and retaining highly skilled personnel in technology and management.

Based on the above, the Directors (excluding Mr. Chen Hua who had abstained from voting at the Board meeting with respect to the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder at the EGM due to his material interests in the Acquisition, the Property Transfer Agreement and the transactions contemplated thereunder and including the independent non-executive Directors whose views have been set out in the letter from the Independent Board Committee contained in this circular) are of the view that (i) it is an usual practice of the Group to possess its own premises in conducting the faux leather chemicals business given that the Group has indeed acquired and owned two parcels of land and buildings situated at Jiande County in the past for the Group's production plant, warehouse and office use. Therefore, the Acquisition, which will also serve as office, research and development of the Group's faux leather chemicals business upon Completion, is considered to be in the ordinary and usual course of business of the Group; and (ii) given that no payment shall be made to the Vendor until the Purchaser could obtain the relevant certificate of ownership of the Properties upon Completion and the whole payment is spitted into three installments for a period until 31 December 2025, which is favourable to the Company, the terms of the Property Transfer Agreement are on normal commercial terms or better and the entering into of the Property Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Connected transaction

The Vendor is wholly-owned by Mr. Chen Hua, an executive Director. Therefore, the Vendor is an associate of Mr. Chen Hua and accordingly, a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios in respect of the Acquisition is more than 5% and the Consideration exceeds HK\$10,000,000, the entering into of the Property Transfer Agreement and the transactions contemplated thereunder is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Discloseable transaction

As the highest of all the applicable percentage ratios as set out in the Listing Rules in respect of the Acquisition exceeds 5% but less than 25%, the entering into of the Property Transfer Agreement and the transactions contemplated thereunder also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 29 November 2023 at 11:00 a.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders of the Acquisition, is set out on pages EGM-1 to EGM-2 of this circular.

As at the Latest Practicable Date, Mr. Chen Hua, an executive Director, indirectly holds 3,600,400 Shares, representing approximately 0.50% of the total issued share capital of the Company, through Sunlight Global Investment Limited (a corporation owned as to 61.20% by Mr. Chen Hua) and Ms. Liu Jing, the spouse of Mr. Chen Hua, indirectly holds 2,400,400 Shares, representing approximately 0.33% of the total issued share capital of the Company, through Lilian Global Investment Limited (a corporation wholly-owned by Ms. Liu Jing). As Mr. Chen Hua has a material interest in the Property Transfer Agreement, each of Mr. Chen Hua, Ms. Liu Jing, Sunlight Global Investment Limited, Lilian Global Investment Limited and their respective associates are required to abstain from voting on the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, no other Shareholder is required to abstain from voting with respect to the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

The register of members of the Company will be closed from Friday, 24 November 2023 to Wednesday, 29 November 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

In order to attend and vote at the EGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Thursday, 23 November 2023.

The notice convening the EGM to be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 29 November 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 11:00 a.m. on Monday, 27 November 2023, Hong Kong time or less than 48 hours before the time appointed for holding any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

In compliance with the Listing Rules, all the resolution(s) to be proposed at the EGM will be voted on by way of poll at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all four independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Property Transfer Agreement are on normal commercial terms and fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) considers that the terms of the Property Transfer Agreement are on normal commercial terms and fair and reasonable, and having considered it is an usual practice of the Group to possess its own premises in conducting the faux leather chemicals business given that the Group has indeed acquired and owned two parcels of land and buildings situated at Jiande County in the past for the Group's production plant, warehouse and office use. Therefore, the Acquisition, which will also serve as office, research and development of the Group's faux leather chemicals business upon Completion, is considered to be in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Property Transfer Agreement, therefore the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in pages 23 to 24 of this circular, which contains its advice to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 46 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition as the reasons considered by it in arriving at its opinion; and (iii) the valuation report on the Properties prepared by the Independent Valuer, the text of which is set out on pages I-1 to I-12 of this circular.

Yours faithfully,
By order of the Board
Diwang Industrial Holdings Limited
CHEN HUA
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

DIWANG INDUSTRIAL HOLDINGS LIMITED

帝王實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

10 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF PROPERTIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 10 November 2023 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meaning herein unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the terms of the Property Transfer Agreement are on normal commercial terms and fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 46 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 22 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms and conditions of the Property Transfer Agreement and the advice of the Independent Financial Adviser, we consider that the terms of the Property Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and that the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Property Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lee Cheung

Mr. Au Hei Ching

Yuet Horace

Mr. Zheng Yu

Ms. Zhou Xiaochun

Independent

Independent

Independent

Independent

Non-executive Director

Non-executive Director

Non-executive Director

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Property Transfer Agreement and the transactions contemplated thereunder.



10 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Property Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 10 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 9 October 2023 and 31 October 2023, in respect of, among others, the Acquisition.

On 9 October 2023, after trading hours of the Stock Exchange, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Property Transfer Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) to the Purchaser at a consideration of RMB30 million.

As at the Latest Practicable Date, the Vendor is wholly-owned by Mr. Chen Hua, an executive Director. Therefore, the Vendor is an associate of Mr. Chen Hua and accordingly, a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest of all applicable percentage ratios in respect of the Acquisition is more than 5% and the Consideration exceeds HK\$10,000,000, the entering into of the Property Transfer Agreement and the transactions contemplated thereunder is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, passing the ordinary resolution to approve the Property Transfer Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Mr. Chen Hua, an executive Director, indirectly holds 3,600,400 Shares, representing approximately 0.50% of the total issued share capital of the Company, through Sunlight Global Investment Limited (a corporation owned as to 61.20% by Mr. Chen Hua) and Ms. Liu Jing, the spouse of Mr. Chen Hua, indirectly holds 2,400,400 Shares, representing approximately 0.33% of the total issued share capital of the Company, through Lilian Global Investment Limited (a corporation wholly-owned by Ms. Liu Jing). As Mr. Chen Hua has a material interest in the Property Transfer Agreement, each of Mr. Chen Hua, Ms. Liu Jing, Sunlight Global Investment Limited, Lilian Global Investment Limited and their respective associates are required to abstain from voting on the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, no other Shareholder is required to abstain from voting with respect to the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the terms of the Property Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Acquisition is in the ordinary and usual course of business of the Group, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution(s) to be proposed at the EGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no other engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the Property Transfer Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Company (“**Management**”); (iv) the valuation report on the Properties prepared by Royson Valuation Advisory Limited, an independent valuer appointed by the Company (the “**Independent Valuer**” and the “**Valuation Report**”); (v) the legal opinion on the Properties prepared by AllBright (Hangzhou) Law Office (上海錦天城(杭州)律師事務所), an independent PRC legal adviser appointed by the Company (the “**PRC Legal Opinion**” and the “**PRC Legal Adviser**”); and (vi) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, the Independent Valuer, the PRC Legal Adviser and/or other advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the EGM. Should there be any subsequent material changes which occur during the period from the Latest Practicable Date up to the date of the EGM to be advised by the Company, we will notify the Independent Board Committee and the Independent Shareholders as soon as practicable.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the parties to the Property Transfer Agreement or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. Background Information

(a) Information on the Parties

The Group

The Group is an established faux leather chemicals manufacturer in the PRC principally engaged in (i) the research and development, manufacturing and sale of coating agents and synthetic resins under its own brand; and (ii) the manufacturing and sale of Chinese baijiu products in the PRC.

The following table summarises the consolidated financial information of the Group for the two years ended 31 December 2022 (“FY2021” and “FY2022”) and the six months ended 30 June 2022 and 2023 (“6M2022” and “6M2023”) as extracted from the Company’s annual report for FY2022 (the “2022 Annual Report”) and the Company’s interim report for 6M2023 (the “2023 Interim Report”), respectively:

	FY2021	FY2022	6M2022	6M2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	233,945	501,437	199,737	251,529
Gross profit	38,875	193,698	57,054	111,867
(Loss)/profit before tax	(1,476)	62,667	14,527	51,961
(Loss)/profit for the year/period	(2,600)	39,618	6,655	39,453
			As at	As at
			As at 31 December	30 June
			2021	2022
			<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Audited)</i>	<i>(Unaudited)</i>
			<i>(Audited)</i>	<i>(Unaudited)</i>
Total assets		313,174	446,378	500,396
Total liabilities		43,595	95,995	111,144
Net assets		269,579	350,383	389,252

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For 6M2022 and 6M2023

The Group's revenue increased from approximately RMB199.7 million for 6M2022 to approximately RMB251.5 million for 6M2023. As disclosed in the 2023 Interim Report, such increase was mainly attributable to the increase in revenue generated from the Chinese liquor business. Based on the foregoing and the absence of the loss on investment in financial assets of approximately RMB18.3 million for the period, the net profit of the Group increased from approximately RMB6.7 million for 6M2022 to approximately RMB39.5 million for 6M2023.

As at 30 June 2023, total asset of the Group amounted to approximately RMB500.4 million, which mainly comprised of (i) trade and bills receivables of approximately RMB166.0 million; (ii) inventories of approximately RMB133.4 million; and (iii) property, plant and equipment of approximately RMB110.8 million. As at 30 June 2023, total liabilities of the Group amounted to approximately RMB111.1 million, including trade and bills payables of approximately RMB71.1 million and bank and other borrowings of approximately RMB25.0 million.

For FY2021 and FY2022

The Group's revenue increased from approximately RMB233.9 million for FY2021 to approximately RMB501.4 million for FY2022. As disclosed in the 2022 Annual Report, such increase was mainly attributable to the commencement of the Chinese liquor business, which contributed revenue of approximately RMB241.2 million. The Group turned around from net loss of approximately RMB2.6 million for FY2021 to net profit of approximately RMB39.6 million for FY2022, which was mainly attributable to the combined effects of (i) the positive contribution from the Chinese liquor business; (ii) the increase in the loss on disposal of financial assets at fair value through profit or loss of approximately RMB8.7 million, arising from the change in fair value of the equity investments of the Group; and (iii) the increase in selling and distribution expenses of approximately RMB68.8 million for the year.

As at 31 December 2022, total asset of the Group amounted to approximately RMB446.4 million, which mainly comprised of (i) trade and bills receivables of approximately RMB144.8 million; (ii) property, plant and equipment of approximately RMB108.5 million; and (iii) inventories of approximately RMB98.2 million. As at 31 December 2022, total liabilities of the Group amounted to approximately RMB96.0 million, including trade and bills payables of approximately RMB68.7 million and bank borrowings of approximately RMB10.0 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the manufacturing and sales of faux leather chemicals.

The Vendor

The Vendor is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of investment management and consultation services in the PRC.

(b) Information on the Properties

Set out below are the details of the Properties:

Location	Units	Approximate Gross Floor Area (sq.m.)	Usage	Date of expiry of existing lease agreement
Unit nos. 1601, 1602, 1603 and 1604 on Level 16, Block No. 1 (also known as “Block E1”) of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC* (中國浙江省杭州市西湖區三 墩鎮紫金翠創小鎮核心區浙大 森林西園八路3號智匯翠創中心 1號樓(又稱“E1樓”)16層1601, 1602, 1603, 1604室)	Unit 1601 Unit 1602 Unit 1603 Unit 1604	563.93 171.06 489.92 317.59	Office, research and development	31 December 2023

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Location	Units	Approximate Gross Floor Area (sq.m.)	Usage	Date of expiry of existing lease agreement
Unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “Block E1”) of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC* (中國浙江省杭州市西湖區三 墩鎮紫金眾創小鎮核心區浙大 森林西園八路3號智匯眾創中心 1號樓(又稱“E1樓”) 17層1701, 1702, 1703及1704室)	Unit 1701	563.93	Vacant	NA
	Unit 1702	171.06		
	Unit 1703	489.92		
	Unit 1704	317.59		
Total:		3,085.00		

As disclosed in the Letter from the Board, the Properties are located at unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “E1”) of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市西湖區三墩鎮紫金眾創小鎮核心區浙大森林西園八路3號智匯眾創中心1號樓(又稱“E1樓”) 16層1601, 1602, 1603, 1604室及17層1701, 1702, 1703及1704室) with a gross floor area of approximately 3,085 sq.m.. As at the Latest Practicable Date, Level 16 of the Properties has been leased out by the Vendor to the Purchaser for office and research use which will be expired on 31 December 2023 at a monthly rental of RMB112,500 (exclusive of management fees and utilities expenses), while Level 17 of the Properties is vacant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, it is the original plan of the Group to acquire the Properties for office, research and development use. However, the transfer of the title of the Properties to the Purchaser was unfortunately being hindered due to the bankruptcy restructuring involving the Then Landlord. While the ownership certificates of the Properties should have been issued under the Purchaser's name, in order to mitigate uncertainty as to the title of the Properties which may have material impact on the financial statements of the Company, with the support from Hangzhou Qiyue (a company wholly-owned by Mr. Chen Hua, the then controlling Shareholder), the Company entered into the Transfer Agreement with Hangzhou Qiyue to transfer the relevant rights and risks of the Properties to Hangzhou Qiyue at a consideration of RMB30 million and lease back the Leased Properties from Hangzhou Qiyue for the Group's office, research and development use. It is emphasised by the Company that the entering into of the Transfer Agreement and the Lease Agreement merely represents the aforementioned support from Hangzhou Qiyue, Hangzhou Qiyue has no intention to take up the title of the Properties.

As further disclosed in the Letter from the Board, in light of the recent notification by the Landlord Legal Restructuring Parties of the closing of the bankruptcy restructuring of the Then Landlord and the expiry of the Lease Agreement to be on 31 December 2023, the Company is of the view that it is the appropriate timing to buy back the relevant rights and risks of the Properties from Hangzhou Qiyue and complete the transfer of the relevant ownership certificates of the Properties in the Purchaser's name.

We have discussed with the Management and were given to understand that the Properties have long been the office and research center of the Group's faux leather chemicals business since 2014, the Acquisition is in line with the long-term business strategies of the Group. Meanwhile, it would provide the Group with greater autonomy and stability over its business operations by mitigating business risks and uncertainties associated with the leasing of the Properties. This would facilitate the continuity of the Group's operation and enable the Group to focus on the core business activities without the needs to consider relocation or re-negotiation of lease agreements.

Furthermore, it is expected that the Acquisition will be cost-beneficial to the Group in the long run. While renting the Properties appears to be a short-term cost-effective solution, the cumulative expenses over time can be substantial. By acquiring the Properties, the Group can effectively reduce the future leasing expenses and avoid unnecessary relocation expenses, renovation expenses and time costs, which will in turn be conducive to the long-term development of the Group's faux leather chemical business and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, after the Acquisition, Level 16 of the Properties will continue to be used by the Purchaser for office and research use. In respect of intended use of Level 17 of the Properties, in September 2023, the Group has been approved for a productivity expansion project to enhance its production capacity to 50,000 tons polyurethane resin and 6,000 tons polyol per annum. As such, the Group plans to develop Level 17 of the Properties for research and development center as well as show room for the aforementioned project. In addition, to cope with business expansion, it is necessary to also establish an office base in Hangzhou to facilitate visits and communication with clients, suppliers, and other business partners of the Group. Hangzhou, as a provincial capital city in the PRC, is more advantageous than Jiande in terms of recruiting and retaining highly skilled personnel in technology and management.

Taking into consideration (i) that the Properties have long been the office and research center of the Group's faux leather chemicals business since 2014, whereas the Acquisition would facilitate the continuity of the Group's operation; (ii) that the Acquisition is expected to be cost savings in the long run; and (iii) that the Acquisition is in line with the Group's future development plan and business expansion, the Directors are of the view, and we concur, that the (i) it is an usual practice of the Group to possess its own premises in conducting the faux leather chemicals business given that the Group has indeed acquired and owned two parcels of land and buildings situated at Jiande County in the past for the Group's production plant, warehouse and office use. Therefore, the Acquisition, which will also serve as office, research and development of the Group's faux leather chemicals business upon Completion, is considered to be in the ordinary and usual course of business of the Group; (ii) and in the interests of the Company and the Shareholders as a whole.

2. THE ACQUISITION

The principal terms and conditions of the Property Transfer Agreement are set out as follows:

- Date:** 9 October 2023 (after trading hours of the Stock Exchange)
- Parties:**
- (1) Zhejiang Sunlight Material Technology Co., Ltd.* (浙江深藍新材料科技有限公司) as the Purchaser; and
 - (2) Hangzhou Qiyue Investment Management Co., Ltd.* (杭州啟越投資管理有限公司) as the Vendor

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Properties:

Unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “E1”) of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市西湖區三墩鎮紫金眾創小鎮核心區浙大森林西園八路3號智匯眾創中心1號樓(又稱“E1樓”) 16層1601, 1602, 1603, 1604室 及17層1701, 1702, 1703及1704室) with a total gross floor area of approximately 3,085 sq.m.

Consideration and payment terms:

The Consideration for the Acquisition is RMB30 million.

The Consideration shall be settled by the Purchaser to the Vendor in cash in following manners:

- RMB10 million, representing approximately 33.33% of the Consideration shall be payable by the Purchaser to the Vendor by 31 December 2023 or on the date of the Completion (whichever is later);
- RMB10 million, representing approximately 33.33% of the Consideration shall be payable by the Purchaser to the Vendor on or before 31 December 2024; and
- RMB10 million, representing approximately 33.4% of the Consideration shall be payable by the Purchaser to the Vendor on or before 31 December 2025.

Having considered that (i) no payment shall be made to the Vendor until the Purchaser could obtain the relevant certificate of ownership of the Properties upon Completion; and (ii) the whole payment is split into three installments for a period until 31 December 2025, which is favourable to the Company, the Company considers that the payment terms is fair and reasonable and is in the interests of the Company and its shareholders as a whole. The Consideration will be financed by the internal resources of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Basis of the
Consideration:**

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms and with reference to the indicative market value of the Properties of approximately RMB30,200,000 as at 31 August 2023 appraised by the Independent Valuer adopting market approach. In respect of the valuation of the Properties prepared by the Independent Valuer, the Company noted that the Independent Valuer did not assign commercial value to the Properties given that the Vendor has not obtained the certificates of ownership of the Properties. Due to the lack of the certificates of ownership, the Properties is not entitled to be transferred. However, the Independent Valuer has stated that, assuming the Vendor has obtained the relevant certificates of ownership of the Properties and is legally transferable in the market, the indicative market value of the Properties as at 31 August 2023 is RMB30,200,000.

In light of (i) Zijin Zhunqian, the existing holder of the certificates of ownership of the Properties, has given its unconditional consent to cooperate with the application of the transfer of certificates of ownership of the Properties in the name of the Purchaser without consideration; and (ii) the Company has obtained the PRC Legal Opinion advising, among other things, (a) the Properties is free from any mortgages, charges and legal encumbrances which may cause adverse effect on the ownership of the Properties; (b) upon completion of the transfer of the relevant rights and risks of the Properties to Hangzhou Qiyue from the Purchaser in April 2018, Hangzhou Qiyue is entitled to occupy, lease and sub-lease the Properties and is entitled to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) in the market; and (c) there is no legal impediment for the Purchaser to obtain relevant certificates of ownership of the Properties from the PRC Government, the Company is of the view that the aforementioned assumption applied by the Independent Valuer in arriving at the indicative market value of the Properties as at 31 August 2023 is achievable and that by referencing the indicative market value prepared by the Independent Valuer is a fair and reasonable basis in determining the Consideration in this regard. The Consideration is at a slight discount of approximately 0.66% compared with the aforementioned indicative market value of the Properties. The original acquisition cost of the Properties by the Vendor was RMB30 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has enquired the Independent Valuer the appropriateness of using market approach in determining the market value of the Properties and was given to understand that the Independent Valuer has considered three generally accepted property valuation approaches namely the asset approach (cost approach), the market approach and the income approach and is of the view that market approach is the most appropriate approach in determining the market value of the Properties since (i) asset approach (cost approach) is only adopted when the market comparable is not available, however in this case, the sale comparable can be readily found in the market, hence asset approach (cost approach) is not adopted; and (ii) income approach is only adopted when the property is subject to tenancies, however in this case, the tenancies of the Properties is connected transaction (as defined under the Listing Rules), which should not be considered in the valuation of the Properties, hence income approach is not taken; and (iii) market approach is the most appropriate approach since sale comparable can be readily found in the market.

For details of the valuation of the Properties including further details of the value of inputs used by the Independent Valuer in determining the market value of the Properties and the detailed computation of the valuation of the Properties, please refer to the valuation report for the Properties as set out in Appendix I to the Circular.

Based on the above, the Directors (excluding Mr. Chen Hua who had abstained from voting at the Board meeting with respect to the resolutions approving the Property Transfer Agreement and the transactions contemplated thereunder due to his material interests in the Acquisition, the Property Transfer Agreement and the transactions contemplated thereunder) consider that the Consideration is fair and reasonable in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent:

Completion is conditional upon:

- (i) the passing of the ordinary resolution(s) by the Independent Shareholders at the EGM to approve the Property Transfer Agreement and the transactions contemplated thereunder;
- (ii) the Purchaser having obtained legal opinions from the PRC legal adviser appointed by the Purchaser regarding the transactions contemplated under the Property Transfer Agreement, so that the Purchaser is convinced that there are no ownership defects and no encumbrances on the Properties, and the legality and validity of the transactions contemplated under the Property Transfer Agreement;
- (iii) the Purchaser having obtained a valuation report issued by the Independent Valuer (the form and content of which are satisfactory to the Purchaser), which states that the indicative market value of the Properties as at 31 August 2023 is not less than RMB30 million;
- (iv) all necessary governmental and regulatory approvals related to the transfer of Properties have been obtained (if applicable); and
- (v) with respect to the Properties, if the property ownership rights of which are to be transferred and where the transfer of the property ownership rights is registrable under the relevant local policies, the Vendor shall procure Zijin Zhunqian to prepare and sign all application materials required for the registration of transfer of the property ownership rights in the Properties such that the Purchaser could proceed to apply for the registration of transfer of the property ownership rights in the name of the Purchaser to the relevant authorities on its own accord.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

None of the above conditions precedent can be waived. If the above conditions precedent are not fulfilled on or before Long Stop Date, the Purchaser has the rights to terminate the Property Transfer Agreement in writing. In the event of termination, the Vendor shall refund to the Purchaser all payment already made by the Purchaser to the Vendor (if any) within three (3) Business Days from the date of the termination. In particular, in the event that the Purchaser could not obtain the ownership certificate of the Properties at Completion (i.e. condition (iv) as set out above could not be fulfilled), the Property Transfer Agreement shall be terminated. The Company confirms that no payment shall be paid by the Purchaser to the Vendor in the event that the Purchaser could not obtain the ownership certificate of the Properties at Completion and therefore, no refund shall be available upon termination of the Property Transfer Agreement. Upon termination of the Property Transfer Agreement, all obligations and responsibilities of the non-defaulting party to the Property Transfer Agreement shall be released save for any antecedent breach and compensation of the defaulting party and the rights and remedies available to the non-defaulting party.

As at the Latest Practicable Date, conditions precedent (ii), (iii) and (v) as set out above have been fulfilled.

Completion:

Subject to fulfillment of the above conditions precedent, Completion shall take place on or before 29 December 2023 (or such later date as the parties to the Property Transfer Agreement may agree in writing).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon Completion, the Purchaser shall obtain the relevant certificate of ownership of the Properties. Since the ownership certificates of the Properties has been issued to Zijin Zhunqian, the transfer of the ownership certificates of the Properties is regarded as second-hand transaction which is required to submit a transfer application of the Properties to the real estate administrative department. Upon submission of the transfer application, approximately 15 working days is normally required for the real estate administrative department to examine, approve and issue the new ownership certificates of the Properties in the Purchaser's name. In view of the above and in view of the date of the EGM to be on 29 November 2023 and having also considered that few days buffer should be provided to allow any unexpected delay occur during the completion process, it is justifiable to estimate that the Purchaser would be able to obtain the relevant certificate of ownership of the Properties by 29 December 2023. According to the relevant accounting standards of the Group, the Properties, after the completion of the transaction, will be accounted as property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes and are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Taking into consideration (i) of the reasons for and benefits of the Acquisition as discussed above; (ii) that the Consideration is determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms and with reference to the Valuation Report prepared by an Independent Valuer; and (iii) that the interest of the Company is safeguarded by the terms of the Property Transfer Agreement, in which Completion is conditional upon, among others, the Purchaser could proceed to apply for the registration of transfer of the property ownership rights in the name of the Purchaser to the relevant authorities on its own accord, the Directors are of the view, and we concur, that the terms of the Property Transfer Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. THE VALUATION OF THE PROPERTIES

As disclosed in the Letter from the Board, the Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms and with reference to the indicative market value of the Properties of approximately RMB30,200,000 as at 31 August 2023, as appraised by the Independent Valuer appointed by the Company by adopting market approach. In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the Valuation Report. It is noted that (i) the Independent Valuer did not assign commercial value to the Properties due to title issues; and (ii) the Consideration, being RMB30 million, is at a slight discount of approximately 0.66% as compared to the indicative market value of the Properties as stated in the Valuation Report. Details of the valuation is set out in the Valuation Report in Appendix I to the Circular.

For due diligence purpose, we have reviewed the Valuation Report and interviewed the relevant staff members, including Mr. Lawrence Chan Ka Wah, the director and the responsible person of the Independent Valuer and his working team, as to its expertise, independence and details in relation to the Valuation Report, particularly (i) the Independent Valuer's terms of engagement with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer in performing the valuation. From our review of the engagement letter between the Company and the Independent Valuer, we are satisfied that the terms of engagement between the Company and the Independent Valuer are appropriate to the opinion the Independent Valuer is required to be given, with no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer. Furthermore, as advised by the Independent Valuer, the Company and the Vendor have not made any formal or informal representations to the Independent Valuer that contravenes with their understanding and assessment on the relevant material information as set out in the Valuation Report. Based on the engagement letter and other relevant information provided by the Independent Valuer, we noted that the Independent Valuer is a qualified asset appraisal firm which provides valuation services. We understand that Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 19 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Rim. We have also obtained information on the track records of the Independent Valuer on other asset valuations and noted that it has experience in the provision of a wide range of valuation services to numerous companies listed on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have enquired with and the Independent Valuer has confirmed that it is independent from the Purchaser, the Group, the Vendor and their respective associates. The Independent Valuer also confirmed that they were not aware of any relationships or interest between itself and the Purchaser, the Group, the Vendor or any other parties that could reasonably be regarded as relevant to its independence to act as the independent valuer of the Company. The Independent Valuer also confirmed that apart from normal professional fees paid or payable to them in connection with its appointment as the Independent Valuer, no arrangements exist whereby it has received or will receive any fees or benefits from the Purchaser, the Group, the Vendor or any other party to the transactions.

We noted that the Independent Valuer mainly carried out its due diligence through discussion with the PRC Legal Adviser and the Management and conducted its own proprietary research and has relied on public information obtained through its own research as well as the information provided by the Management. We were advised by the Independent Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification.

As stated in the Valuation Report, in valuing the property interest, the Independent Valuer has complied with all the requirements contained in Chapter 5 of the Listing Rules, the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors (HKIS), the RICS Valuation – Global Standards (Effective on 31 January 2022) published by the Royal Institution of Chartered Surveyors and the International Valuation Standards (Effective on 31 January 2022) published by the International Valuation Standards Council (IVSC).

As stated in the Valuation Report, on-site inspections on the Properties have been performed by the Independent Valuer to understand if there are any material structural defects regarding the exteriors and interiors of the Properties.

We noted that the valuation was primarily based on the market approach. The market approach refers to valuation by making reference to comparable market transactions or sale asking in the assessment of the market value of a property interest.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the Independent Valuer the methodologies, bases and assumptions adopted during the course of conducting the market approach. As advised by the Independent Valuer, comparable transactions or sale asking are selected based on similar location and characteristics of the Properties. As advised by the Independent Valuer, they have considered three generally accepted property valuation approaches namely the asset approach (cost approach), the market approach and the income approach and is of the view that market approach is the most appropriate approach in determining the market value of the Properties since (i) asset approach (cost approach) is only adopted when the market comparable is not available, however in this case, the sale comparable can be easily found in the market, hence asset approach (cost approach) is not adopted; and (ii) income approach is only adopted when the property is subject to tenancies, however for this case, the tenancies of the Properties is a connected transaction (as defined under the Listing Rules), which should not be considered in the valuation of the Properties, hence income approach is not taken; and (iii) market approach is the most appropriate approach since sale comparable can be readily found in the market. The Independent Valuer also highlighted other benefits of the market approach, including its simplicity, clarity and the need for few or no assumptions. The market approach introduces objectivity in application as publicly available inputs are used under this approach. Having considered the above, we concur with the Independent Valuer's adoption of the market approach as the primary valuation methodology. Based on the information provided by the Independent Valuer, six most comparable properties have been selected for comparison purpose for the Properties, which are gathered from a major and popular agency online platform of property transactions database in the PRC. We understood from the Independent Valuer that the comparable properties for the purpose of the valuation are exhaustive and representative. For our due diligence purpose, we obtained information of the comparable properties, such as location, usage, age, floor area, interior conditions etc. The selected comparable properties for comparison purpose for the Properties are set out as follow:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Asking Comparables	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Location	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest
Usage	Office	Office	Office	Office	Office	Office
Year of Completion	2014	2014	2014	2014	2014	2014
Floor level	Middle level of 19-storey office building	High level of 15-storey office building	High level of 19-storey office building	Middle level of 19-storey office building	High level of 19-storey office building	Middle level of 20-storey office building
View	Open/Building	Open/Building	Open/Building	Open/Building	Open/Building	Open/Building
Interior condition	Good	Good	Bare shell fit-out	Good	Reasonable	Good
Approximate Gross floor area (sq.m.)	170	376	1,542	317	317	151
Listing Date	14 Sep 2023	5 Sep 2023	18 Sep 2023	6 Aug 2023	9 June 2023	30 Aug 2023
Asking Price (RMB)	2,450,000	2,700,000	15,000,000	5,080,000	3,100,000	1,500,000
Asking Unit rate (RMB/sq.m.)	14,412	7,187	9,728	16,025	9,779	9,934
Adjusted unit rate (RMB/sq.m.) for units on Level 16 of the Properties	12,120	6,111	9,903	13,701	8,557	8,335
Adopted Unit Rate (RMB/sq.m.) for units on Level 16 of the Properties				9,790		
Adjusted unit rate (RMB/sq.m.) for units on Level 17 of the Properties	11,832	5,967	9,709	13,381	8,361	8,136
Adopted Unit Rate (RMB/sq.m.) for units on Level 17 of the Properties				9,560		

In view of (i) the selected comparable properties are all situated close to the Properties; (ii) the comparable properties share similar characteristics of the Properties, particularly the usage, view, building age, location of floor levels and quantum; and (iii) the Independent Valuer has applied necessary adjustments based on multiple factors, which include, among others, differences in interior condition, floor area and floor level between the comparable properties and the Properties, we concur with the Independent Valuer that the selection criteria of the comparable properties companies are fair and reasonable and the selected comparable properties are appropriate for determining the valuation of the Properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We further noted that certain adjustments have been made on the unit rate of the comparable properties based on the differences in interior condition, floor area and floor level between the comparable properties and the Properties. The unit rate of properties is generally higher for properties that are (i) resided in a prime location and higher floor level with potentially greater commercial value; (ii) with better interior condition and layout; and (iii) with a smaller unit area, and vice versa. We have discussed with the Independent Valuer and were given to understand that such adjustment factors were commonly adopted for the valuation of properties. The Independent Valuer has applied the adjustments by assigning different weightings to the adjustment factors based on their professional judgement and experience and in accordance with the requirements set out by the HKIS Valuation Standards, the RICS Valuation Standards and the IVSC Valuation Standards. After applying the adjustments on the unit rate of the comparable properties, the Independent Valuer has adopted the averaged adjusted unit rate of the comparable properties to be the unit rate for the units of the respective floor level of the Properties. Considering that (i) the selection criteria of the comparable companies are fair and reasonable and the selected comparable properties for the valuation of the Properties are appropriate; (ii) the adjustment factors applied based on interior condition, floor area and floor level are commonly adopted in the valuation of properties; and (iii) the Independent Valuer has applied the adjustments based on its professional judgement and experience and are applied in the same manner as required by the HKIS Valuation Standards, the RICS Valuation Standards and the IVSC Valuation Standards, we consider that it is justifiable and fair and reasonable for the Independent Valuer to apply such adjustments in the valuation.

We have discussed with the Independent Valuer and were given to understand that due to the lack of relevant certificates of ownership, the Properties are not entitled to be transferred. As such, no commercial value has been assigned by the Independent Valuer to the Properties in the valuation. On the assumption that the relevant certificates of ownership of the Properties have been obtained and the Properties are entitled to be legally transferrable in the market, the indicative market value of the Properties is RMB30,200,000 as at 31 August 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. THE PRC LEGAL OPINION ON THE PROPERTIES

For due diligence purpose, we have reviewed the PRC Legal Opinion and conducted interview with the staff member of the PRC Legal Adviser, as to its expertise, independence and details in relation to the PRC Legal Opinion and to understand the latest status and development of the title issue regarding the Properties, particularly (i) the PRC Legal Adviser's terms of engagement with the Company; (ii) the PRC Legal Adviser's qualification and experience in relation to the preparation of the PRC Legal Opinion; and (iii) the steps and due diligence measures taken by the PRC Legal Adviser in preparing the PRC Legal Opinion. From our review of the engagement letter between the Company and the PRC Legal Adviser, we are satisfied that the terms of engagement between the Company and the PRC Legal Adviser are appropriate to the opinion the PRC Legal Adviser is required to be given, with no limitations on the scope of work which might adversely impact on the degree of assurance given by the PRC Legal Adviser. Based on the engagement letter and other relevant information provided by the PRC Legal Adviser, we noted that the PRC Legal Adviser is an established law firm which provides comprehensive legal services in the PRC.

In addition, we have enquired with and the PRC Legal Adviser has confirmed that it is independent from the Purchaser, the Group, the Vendor and their respective associates. The PRC Legal Adviser also confirmed that they were not aware of any relationships or interest between itself and the Purchaser, the Group, the Vendor or any other parties that could reasonably be regarded as relevant to its independence to act as the PRC legal adviser of the Company. The PRC Legal Adviser also confirmed that apart from normal professional fees paid or payable to them in connection with its appointment as the PRC Legal Adviser, no arrangements exist whereby it has received or will receive any fees or benefits from the Purchaser, the Group, the Vendor or any other party to the transactions.

As advised by the PRC Legal Adviser, since the completion inspection filing of the Properties had been obtained, the Group has the right to lawfully use and occupy the Properties. Zijin Zhunqian, the existing holder of the certificates of ownership of the Properties, has given its unconditional consent to cooperate with the application of the transfer of certificates of ownership of the Properties in the name of the Purchaser without consideration. As advised by the PRC Legal Adviser, the Company and the Vendor have not made any formal or informal representations to the PRC Legal Adviser that contravenes with their understanding and assessment on the relevant material information as set out in the PRC Legal Opinion. Furthermore, the PRC Legal Adviser had also expressed its view that (i) the Properties are free from any mortgages, charges and legal encumbrances which may cause adverse effect on the ownership of the Properties; (ii) upon completion of the transfer of the relevant rights and risks of the Properties to Hangzhou Qiyue from the Purchaser in April 2018, Hangzhou Qiyue is entitled to occupy, lease and sublease the Properties and is entitled to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) in the market; and (iii) there is no legal impediment for the Purchaser to obtain relevant certificates of ownership of the Properties from the PRC Government. As such, we concur with the Management's view that the assumption applied by the Independent Valuer in arriving at the indicative market value of the Properties as at 31 August 2023 is justifiable and that by referencing the indicative market value appraised by the Independent Valuer is a fair and reasonable basis in determining the Consideration in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering the abovementioned factors, in particular, (i) the methodology, basis and assumptions adopted in the Valuation Report in determining the indicative market value of the Properties are considered appropriate; (ii) the Consideration is made with reference to the valuation result of the Valuation Report, which was considered fairly and reasonably determined; (iii) the Consideration represents a slight discount of approximately 0.66% as compared to the indicative market value of the Properties in the Valuation Report; (iv) there are no restrictions and legal impediment for the Purchaser to obtain relevant certificates of ownership of the Properties from the PRC Government based on the PRC Legal Opinion; and (v) the reasons for and benefits of the Acquisition as abovementioned and that no payment shall be made to the Vendor until the Purchaser could obtain the relevant certificate of ownership of the Properties upon Completion and the whole payment is split into three installments for a period until 31 December 2025, which is favourable to the Company to preserve cash flow in the long run for the Group's future business development, the Directors are of the view, and we concur, that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that (i) the Acquisition is in the ordinary and usual course of business of the Group; and (ii) the terms of the Property Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM for approving the Property Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Royson Valuation Advisory Limited, an independent valuer, in connection with its valuation of the property interests to be acquired by the Group. Terms defined in this appendix apply to this appendix only.



Royson Valuation Advisory Limited
Unit 1503, 15/F, The L. Plaza
367-375 Queen's Road Central
Hong Kong

6 November 2023

The Board of Directors
Diwang Industrial Holdings Limited
Suites 4404-10, 44/F
One Island East
18 Westlands Road, Taikoo Place
Hong Kong

Dear Sirs and Madams,

Re: Valuation of unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as "E1") of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (the "**Properties**")

INSTRUCTIONS

We refer to your instruction for us to value the property interests to be acquired by Diwang Industrial Holdings Limited (the "**Company**") or its subsidiaries (together referred as the "**Group**") located in The People's Republic of China (the "**PRC**"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in existing state as at 31 August 2023 (the "**Valuation Date**") for the purpose of incorporation into the circular (the "**Circular**") issued by the Company on the date hereof.

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“Market Value”) which is defined by the Hong Kong Institute of Surveyors 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 METHODOLOGY(IES)

In valuing the Properties, we have adopted market approach in our valuation by making reference to comparable market transactions or sale asking in our assessment of the market value of a property interest. Market Approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the appraised assets relative to the market comparable. This approach rests on the wide acceptance of the market transactions or sale asking as the best indicator and pre-supposes that evidence of relevant transactions or sale asking in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Market approach is a common and popular approach in valuing such kind of property in the industry.

VALUATION STANDARDS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors (HKIS), the RICS Valuation – Global Standards (Effective on 31 January 2022) published by the Royal Institution of Chartered Surveyors and the International Valuation Standards (Effective on 31 January 2022) published by the International Valuation Standards Council (IVSC).

VALUATION ASSUMPTION

Our valuations have been made on the assumption that the owner sells the Properties in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the Properties.

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

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing title to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal adviser, AllBright (Hangzhou) Law Office (上海錦天城(杭州)律師事務所), concerning the validity of the title to the property interest located in the PRC.

LIMITING CONDITIONS

We have inspected the exteriors and where possible, the interiors of the Properties. In the course of our inspections, we did not note any serious structural defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

This valuation is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our valuation report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

REMARKS

Unless otherwise stated, all money amounts stated are in Renminbi (**RMB**).

We enclose herewith the valuation report.

Yours faithfully,

For and on behalf of

Royson Valuation Advisory Limited

Lawrence Chan Ka Wah

MRICS MHKIS RPS(GP) MCIREA MHIREA

RICS Registered Valuer MHKIM

Director

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 19 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asia-Pacific Rim.

VALUATION REPORT

Property interests to be acquired by the Group for investment in the PRC

Properties	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2023 RMB
Unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as “Block E1”) of Zihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省杭州市西湖區三墩鎮紫金眾創小鎮核心區浙大森林西園八路3號智匯眾創中心1號樓(又稱“E1樓”)16層1601, 1602, 1603, 1604室及17層1701, 1702, 1703及1704室)	The Properties comprise four units on level 16 and four units on level 17 of a 19-storey office and research building plus 2 levels of car parking basements completed in about 2014. The subject building (Block No. 1) is commonly known as Block E1 of the Zihui Zhongchuang Center (the “Subject Development”) The Properties have a total gross floor area of approximately 3,085 sq.m. The land use rights of the Properties were granted for a term expiring on 29 November 2053 for science and education uses.	As advised by the Company, unit nos. 1601, 1602, 1603 and 1604 on Level 16 of the Properties are leased for office and research and development use for a term of 6 months commencing on 1 July 2023 and expiring on 31 December 2023 at a monthly rental of RMB112,500 exclusive of management fees and utilities expenses. The remaining portion of the Properties are vacant as at Valuation Date.	No commercial value (please refer to Note 14)

Notes:

- Pursuant to 8 Real Estate Ownership Certificates issued by Hangzhou Bureau of Planning and Natural Resources (杭州市規劃和自然資源局) all dated 6 December 2019, the land use rights of the Properties were granted to Hangzhou Zijin Zhunqian Technology Development Co. Ltd. (Zijin Zhunqian) 杭州紫金准乾科技發展有限公司(紫金准乾) for a term expiring on 29 November 2053 for science and education uses.

Moreover, as stipulated in the Real Estate Ownership Certificates, the ownership of the building of the Properties with a total gross floor area of approximate 3,085 sq.m. are vested in Zijin Zhunqian (紫金淮乾). The details are as follows:

Units	Real Estate Ownership Certificates (Document Nos.)	Approximate Gross Floor Area (sq.m.)
Unit 1601	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285280	563.93
Unit 1602	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285300	171.06
Unit 1603	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285295	489.92
Unit 1604	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285216	317.59
Unit 1701	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285239	563.93
Unit 1702	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285263	171.06
Unit 1703	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285178	489.92
Unit 1704	Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285198	317.59
	Total:	3,085.00

- Pursuant to an original property transfer agreement (房屋轉讓合同) (the “Original Property Transfer Agreement”) entered into between Zhejiang Zheda Wangxin Industry Development Co., Ltd. (浙江浙大網新實業發展有限公司) as vendor and Zhejiang Sunlight Technology Co., Ltd. (浙江深藍輕紡科技有限公司) as purchaser dated 23 December 2013, the Properties with a gross floor area of approximately 3,174.80 sq.m. were contracted to be purchased by Zhejiang Sunlight Technology Co., Ltd. (浙江深藍輕紡科技有限公司) at a consideration of RMB25,398,400. As stipulated in the Original Property Transfer Agreement, the gross floor area of approximately 3,174.80 sq.m. was tentative and was subject to the floor area recognized by the government authorities.
- Pursuant to a transfer agreement (轉讓合同) (the “Transfer Agreement”) entered into between Zhejiang Sunlight Material Technology Co., Ltd. (Zhejiang Sunlight)(浙江深藍新材料科技有限公司)(浙江深藍) as transferor and Hangzhou Qiyue Investment Management Co., Ltd. (Hangzhou Qiyue)(杭州啟越投資管理有限公司)(杭州啟越) as transferee dated 20 March 2018, the transfer of the title and risks of the Properties as referred to in the Original Property Transfer Agreement dated 23 December 2013 in Note 2 was contracted to be transferred to Hangzhou Qiyue (杭州啟越) at a consideration of RMB30,000,000.
- Pursuant to a supplemental agreement to transfer agreement (轉讓合同之補充協議) (the “Supplemental Agreement to Transfer Agreement”) entered into between Zhejiang Sunlight (浙江深藍) as transferor and Hangzhou Qiyue (杭州啟越) as transferee dated 31 March 2018, among others, (1) Zhejiang Sunlight agreed to deliver possession of the Properties to Hangzhou Qiyue from 1 April 2018 onwards; and (2) Hangzhou Qiyue waived its right to claim against Zhejiang Sunlight for the refund of consideration of RMB30,000,000 on any ground (including but not limited to the failure to obtain ownership certificate of the Properties).
- Pursuant to a lease agreement (the “Lease Agreement”) dated 5 June 2023 entered into between Hangzhou Qiyue (杭州啟越) as lessor and Zhejiang Sunlight (浙江深藍) as lessee, unit nos. 1601, 1602, 1603 and 1604 on Level 16 of the Properties, with a total gross floor area of approximately 1,500 sq.m., are leased to Zhejiang Sunlight (浙江深藍) for office, research and development use for a term of 6 months commencing on 1 July 2023 and expiring on 31 December 2023 at a monthly rental of RMB112,500 exclusive of management fee and utilities expenses.

The total gross floor area of unit nos. 1601, 1602, 1603 and 1604 of the Properties stated in the Real Estate Ownership Certificates (Document Nos.: Zhe (2019) Hang Zhou Shi Bu Dong Chan Quan No. 0285280, 0285300, 0285295 and 0285216 is approximately 1,542.5 sq.m.. However, the total gross floor area showed on the Lease Agreement is approximately 1,500 sq.m. only. As confirmed by the Company, the actual leased gross floor area of the Properties is 1,542.5 sq.m..

6. The subject development (known as “Zhihui Zhongchuang Center (智匯眾創中心)”) is situated at the southwestern of Xiyuan 8th Road (西園八路) at the junction of Xiyuan 3rd Road (西園三路) within ZJU Rainforest (浙大森林) of the core area known as Zijin Innovation Town (紫金眾創小鎮). Buildings in the locality comprise offices, research centres and business buildings complex. Hangzhou West Railway Station (杭州西站), Hangzhou East Railway Station (杭州東站) and Hangzhou Xiaoshan International Airport (杭州蕭山國際機場) are about 20-minute, 40-minute and 70-minute driving distance from the subject development respectively. Buses and taxis are accessible to the subject development.
7. Our Mr. Dennis H. P. Wong (BSc, has over 18-year experience in valuation industry) has inspected the Properties on 22 September 2023. The exterior condition of the Properties were reasonable, while the interior condition of Level 16 and Level 17 were reasonable and bare shell fit-out respectively.
8. The unit rate of properties in the locality as at the Valuation Date is in the range of RMB8,000 per sq.m. to RMB12,000 per sq.m..
9. As advised, Zhejiang Zheda Wangxin Industry Development Co., Ltd. (浙江浙大網新實業發展有限公司) has transferred the property interest of the Properties to Zijin Zhunqian (紫金准乾), which is an independent third party.
10. As advised, Hangzhou Qiyue (杭州啟越) has agreed to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) to the Zhejiang Sunlight (浙江深藍).
11. As advised, Zhejiang Sunlight (浙江深藍) (formerly known as Zhejiang Sunlight Chemical Co., Ltd. (浙江深藍化工有限公司), Zhejiang Sunlight Technology Co., Ltd. (浙江深藍輕紡科技有限公司) and Zhejiang Sunlight Material Technology Co., Ltd. (浙江深藍新材料科技股份有限公司)) is an indirect wholly-owned subsidiary of the Company.
12. As advised, Hangzhou Qiyue (杭州啟越) is a former shareholder of Zhejiang Sunlight (浙江深藍) which is wholly owned by Mr. Chen Hua, who is a director and a shareholder of the Company.
13. Zhejiang Sunlight is an indirect wholly-owned subsidiary of the Company. Hangzhou Qiyue is wholly-owned by Mr. Chen Hua, who is a director and a shareholder of the Company. The Transfer Agreement, Supplemental Agreement to Transfer Agreement and Lease Agreement entered into between Hangzhou Qiyue and Zhejiang Sunlight in Notes 3, 4 and 5 were connected transactions.
14. As advised by the Company, Hangzhou Qiyue (杭州啟越) has not obtained the relevant certificates of ownership of the Properties. Due to the lack of the certificates of ownership, the Properties is not entitled to be transferred. Hence, we have ascribed no commercial value to the Properties in our valuation.

For indicative purpose, the market value of the Properties is RMB30,200,000 (Renminbi Thirty Million and Two Hundred Thousand Only), by assuming Hangzhou Qiyue (杭州啟越) has obtained the relevant certificates of ownership and is legally transferable in the market.

15. In valuing the Properties, we have adopted market approach in our valuation by making reference to six asking comparables. Those asking comparables are gathered from hz.58.com (58.同城房產), a popular agency online platform in the PRC, which are considered to be major and popular providers of property transaction information in the PRC.

List of asking comparables have been considered and they represent the exhaustive and representative samples for valuation purpose.

Asking Comparables	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Location	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest	Office Unit located at No. 3 Xiyuan 8th Road, ZJU Rainforest
Usage	Office	Office	Office	Office	Office	Office
Year of Completion	2014	2014	2014	2014	2014	2014
Floor Level	Middle level of 19-storey office building	High level of 15-storey office building	High level of 19-storey office building	Middle level of 19-storey office building	High level of 19-storey office building	Middle level of 20-storey office building
View	Open/Building	Open/Building	Open/Building	Open/Building	Open/Building	Open/Building
Interior condition	Good	Good	Bare shell fit-out	Good	Reasonable	Good
Gross Floor Area (sq.m.)	170	376	1,542	317	317	151
Listing Date (dd/mm/yyyy)	14/09/2023	05/09/2023	18/09/2023	06/08/2023	09/06/2023	30/08/2023
Asking Price (RMB)	2,450,000	2,700,000	15,000,000	5,080,000	3,100,000	1,500,000
Asking Unit Rate (RMB/sq.m.)	14,412	7,187	9,728	16,025	9,779	9,934

Selection criteria and the reasons for using those criteria:

- All asking comparables are multi-storey office development within the Subject Development;
- The floor level of all asking comparables are located on the middle or high level of 15 to 20-storey building;
- The floor area of all asking comparables ranged between 151 sq.m. to 1,542 sq.m., which are similar to the units of the Properties;
- The completion year of all asking comparables were completed in about 2014;
- All asking comparables are building and/or open view; and
- The listing dates of the asking comparables are listed within 3 months before or after the Valuation Date. In general, the listing dates of the asking comparables shall be near and before the Valuation Date. Due to the course of the valuation assessment was conducted in late September 2023, limited asking comparables before the Valuation Date were available in the market. In view of this, asking comparables after the Valuation Date are also selected. It is a common and acceptable practice in the industry.

Below are the adjustment rationale of each of the adjustment factors made on the differences between the Properties and the asking comparables.

1. Time – the listing dates of all asking comparables are listed within 3 months before or after the Valuation Date. There was no significant change in market condition between the Valuation Date and the listing dates of all asking comparables. The adjustment rates are zero on time factor.
2. Nature of Transaction – all asking comparables are in proposed transaction by listing, downward adjustments are made to reflect the room for negotiation subject to our understanding on the market.
3. Location – all asking comparables are located in the same development of the Properties. Hence, the adjustment rates are zero on location factor.
4. Usage – all asking comparables are for same usage of the Properties as they are located in the same development. Hence, the adjustment rates are zero on usage factor.
5. Building Age – all asking comparables are located in the same development of the Properties, hence the adjustment rates are zero on building age factor.
6. Floor Level – higher floor level normally enjoys with better light penetration and air ventilation. Unit rates of properties with higher floor level is generally higher, vice versa. In view of the units of the Properties on Level 16 and 17 are high level, therefore, upward adjustments are made for asking comparables on the middle levels and the adjustment rate is zero for asking comparables on the high levels.
7. View – all asking comparables enjoys open building view which are similar to the Properties. Hence, the adjustment rates are zero on view factor.
8. Interior condition – the unit rates of the properties are higher, medium and lower for good, reasonable and bare shell fit-out interior condition respectively.
9. Quantum – the unit rates of the properties with smaller size is generally higher, vice versa due to the general market practice. Therefore, downward adjustments are made for asking comparables with their gross floor area are smaller than the subject unit, vice versa.

Adjustment factors for adopted Unit Rate of Unit 1601

Asking Comparables	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Asking Unit Rate (RMB/sq.m.)	14,412	7,187	9,728	16,025	9,779	9,934
1. Time	0%	0%	0%	0%	0%	0%
2. Nature of transaction	-10%	-10%	-10%	-10%	-10%	-10%
3. Location	0%	0%	0%	0%	0%	0%
4. Usage	0%	0%	0%	0%	0%	0%
5. Building Age	0%	0%	0%	0%	0%	0%
6. Floor Level	1%	0%	0%	1%	0%	1%
7. View	0%	0%	0%	0%	0%	0%
8. Interior condition	-3%	-3%	2%	-3%	0%	-3%
9. Quantum	-3.9%	-1.9%	9.8%	-2.5%	-2.5%	-4.1%
Total	-15.9%	-14.9%	1.8%	-14.5%	-12.5%	-16.1%
Adjusted Unit Rate (RMB/sq.m.)	12,120	6,111	9,903	13,701	8,557	8,335
Adopted Unit Rate (RMB/sq.m.)			9,790			

Adjustment factors for adopted Unit Rate of Unit 1701

Asking Comparables	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Asking Unit Rate (RMB/sq.m.)	14,412	7,187	9,728	16,025	9,779	9,934
1. Time	0%	0%	0%	0%	0%	0%
2. Nature of transaction	-10%	-10%	-10%	-10%	-10%	-10%
3. Location	0%	0%	0%	0%	0%	0%
4. Usage	0%	0%	0%	0%	0%	0%
5. Building Age	0%	0%	0%	0%	0%	0%
6. Floor Level	1%	0%	0%	1%	0%	1%
7. View	0%	0%	0%	0%	0%	0%
8. Interior condition	-5%	-5%	0%	-5%	-2%	-5%
9. Quantum	-3.9%	-1.9%	9.8%	-2.5%	-2.5%	-4.1%
Total	-17.9%	-16.9%	-0.2%	-16.5%	-14.5%	-18.1%
Adjusted Unit Rate (RMB/sq.m.)	11,832	5,967	9,709	13,381	8,361	8,136
Adopted Unit Rate (RMB/sq.m.)			9,560			

Valuation of the Properties

Unit	Approximate Gross Floor Area (sq.m.)	Adopted Unit Rate for Level 16 (RMB/sq.m.)	Floor Area adjustment	Adopted Unit Rate (RMB/sq.m.)	Market Value (RMB)
1601	563.93	9,790	0.0%	9,790	5,520,875
1602	171.06	9,790	3.9%	10,172	1,740,022
1603	489.92	9,790	0.7%	9,859	4,830,121
1604	317.59	9,790	2.5%	10,035	3,187,016
				sub-total:	15,278,034

Unit	Approximate Gross Floor Area (sq.m.)	Adopted Unit Rate for Level 17 (RMB/sq.m.)	Floor Area adjustment	Adopted Unit Rate (RMB/sq.m.)	Market Value (RMB)
1701	563.93	9,560	0.0%	9,560	5,391,171
1702	171.06	9,560	3.9%	9,933	1,699,112
1703	489.92	9,560	0.7%	9,627	4,716,421
1704	317.59	9,560	2.5%	9,799	3,112,064
				Sub-total:	14,918,768
				Total:	30,196,802
				Round to:	30,200,000

16. We have been provided with a legal opinion on the Property prepared by the Company's PRC legal adviser, AllBright (Hangzhou) Law Office (上海錦天城(杭州)律師事務所), which contains, inter alia, the following information:

- (a) the property interests of the Properties are legally held by Zijin Zhunqian (紫金准乾), and are entitled to freely to possess, use, seek profits from and dispose of the Properties;
- (b) prior to obtain relevant certificates of ownership of the Properties, Hangzhou Qiyue (杭州啟越) is entitled to occupy, lease and sub-lease the Properties and is entitled to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) in the market;
- (c) upon completion of the transfer agreement in Note 10 as above, there is no legal impediment for Zhejiang Sunlight (浙江深藍) to obtain relevant certificates of ownership of the Properties from the PRC Government;
- (d) the Original Property Transfer Agreement, Transfer Agreement, Supplemental Agreement to Transfer Agreement and Lease Agreement stated in Notes 2, 3, 4 and 5 as above are legally binding, valid, enforceable and protected under the PRC's law;
- (e) the Properties is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the Properties;

- (f) the land use rights of the Properties are restricted on uses of science and education only. The Properties is commonly for office, research and development use. The usage of the Properties for office use does not constitute a breach of land use right of the Properties. The Company has not been received the punishment by the PRC Government for the usage of the Properties;
 - (g) there is no redevelopment scheme to the subject locality that may impact the Company's financial position;
 - (h) there is no breach of environmental regulations relating to the Properties that may have major impact on the Company's business or operations; and
 - (i) there is no breach of title defects relating to the Properties that may have major impact on the Company's business or operations.
17. We have been provided the following documents:
- | | | |
|-----|--|-----|
| i | Real Estate Ownership Certificates (registered under the name of vendor) | No |
| ii | Original Property Transfer Agreement | Yes |
| iii | Transfer Agreement | Yes |
| iv | Supplemental Agreement to Transfer Agreement | Yes |
| v | Lease Agreement | Yes |

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules (the "Model Code"), are set out as follows:

Name	Capacity/ Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company
Mr. Chen Hua	Interest in controlled corporation and interest of spouse <i>(Note 1-2)</i>	6,000,800	Long position	0.83%

Notes:

- (1) *As at the Latest Practicable Date, Sunlight Global Investment Limited (“Sunlight Global”) and Lilian Global Investment Limited (“Lilian Global”) held approximately 0.50% and approximately 0.33%, respectively, of the total issued share capital of the Company. Sunlight Global is owned as to 61.20% by Mr. Chen Hua, 13.24% by Ms. Zhu Jianqin, 13.24% by Mr. Li Xiangyu, 9.24% by Mr. He Zhangcai, 2.14% by Mr. Chen Yong, 0.54% by Mr. Cai Jianming and 0.40% by Mr. Zhao Xuesheng. Lilian Global is wholly-owned by Ms. Liu Jing. Ms. Liu is therefore deemed to be interested in the Shares in which Lilian Global is interested under the SFO. Mr. Chen Hua, Ms. Liu Jing, Ms. Zhu Jianqin, Mr. Li Xiangyu, Mr. He Zhangcai, Mr. Zhao Xuesheng, Mr. Cai Jianming and Mr. Chen Yong are entitled to exercise or control the exercise of approximately 0.83% of the voting power at general meetings of our Company through exercising or controlling the exercise of the entire voting power at general meetings of Sunlight Global and Lilian Global, and therefore they are deemed to be interested in the Shares in which Sunlight Global and Lilian Global are interested under the SFO.*
- (2) *Mr. Chen Hua and Ms. Liu Jing are spouses to each other. Therefore, each of them is deemed to be interested in the Shares in which he or she is interested under the SFO.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' interests in the Shares and underlying Shares

To the knowledge of the Directors of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) have the following interests and short positions in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein.

Name	Capacity/ Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company
Zheng Xiuyue	Beneficial Owner	52,000,000	Long position	7.22%

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, no other person (other than the Directors and chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member 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.

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

6. 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 financial statements of the Company were made up.

7. EXPERTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Royson Valuation Advisory Limited	Independent Valuer
AllBright (Hangzhou) Law Office	the PRC Legal Adviser

As at the Latest Practicable Date, the experts set out above did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the experts set out above did not have any direct or indirect interest in any assets which had been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the expert as set out above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name and logo in the form and context in which it appears in this circular.

The letter, report and/or opinion from each of the above expert is given as of the date of this circular for incorporation herein.

8. DOCUMENTS ON DISPLAY

A copy of the Property Transfer Agreement is available on the HKEXnews website (www.hkexnews.hk) and the Company's website (<https://www.dwhl1950.com>) during the period of 14 days from the date of this circular.

9. MISCELLANEOUS

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING

DIWANG INDUSTRIAL HOLDINGS LIMITED

帝王實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Diwang Industrial Holdings Limited (the “**Company**”) will be held at 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 29 November 2023 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Property Transfer Agreement (as defined in the circular of the Company dated 10 November 2023 (the “**Circular**”) entered into between Zhejiang Sunlight Material Technology Co., Ltd.* (浙江深藍新材料科技有限公司), a indirectly wholly-owned subsidiary of the Company (the “**Purchaser**”), and Hangzhou Qiyue Investment Management Co., Ltd.* (杭州啟越投資管理有限公司) (the “**Vendor**”) pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to transfer all rights and risks of the Properties (including the rights to apply for the relevant certificates of ownership in respect of the Properties) to the Purchaser (as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) each of the directors of the Company be and is hereby authorised to do all such acts and things and sign, agree, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Property Transfer Agreement and any of the transactions contemplated thereunder.”

By order of the Board
Diwang Industrial Holdings Limited
CHEN HUA
Executive Director

Hong Kong, 10 November 2023

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. An eligible shareholder of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy does not need to be a shareholder of the Company.
2. In the case of joint registered holders of any share of the Company, any one of such persons may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjournment thereof).
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Friday, 24 November 2023 to Wednesday, 29 November 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 23 November 2023.
6. The resolution set out in this notice will be decided by poll at the EGM.