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

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CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

**(I) VERY SUBSTANTIAL DISPOSAL AND
CONNECTED TRANSACTION – PROPOSED DISPOSAL OF
72% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY
AND
(II) NOTICE OF FIRST SPECIAL GENERAL MEETING**

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out from pages 4 to 17 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out from pages 18 to 19 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Disposal is set out from pages 20 to 47 of this circular.

A notice convening the First SGM to be held at Luxembourg Room, 3rd Floor, Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 18 January 2024 at 10:30 a.m. is set out from pages SGM-1 to SGM-2 of this circular. Whether or not you intend to attend the First SGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the First SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the First SGM should you so wish.

29 December 2023

* For identification purpose only

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:–

“associate(s)”	has the meaning as ascribed thereto in the Listing Rules
“Benchmark Date”	30 June 2023
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday or Sunday or public holiday in the PRC
“Company”	China Investments Holdings Limited (中國興業控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 132)
“Completion”	completion of the Disposal
“Completion Date”	the date on which the registration of industrial and commercial changes regarding the Disposal has been completed and the Purchaser has been registered as a shareholder of Sino Rock Tyco
“connected person(s)”	has the meaning as ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning as ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser according to the terms and conditions under the Disposal Agreement
“Disposal Agreement”	the conditional equity transfer agreement dated 6 December 2023 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Interest
“Effective Date”	the effective date of the Disposal Agreement, meaning the date upon which the approval from the corresponding State-owned Assets Supervision and Administration Department having been obtained by the Purchaser, and approval of Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder having been obtained at the First SGM
“First SGM”	the first special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Disposal Agreement and transactions contemplated thereunder

DEFINITIONS

“Group”	the Company and its subsidiaries
“Guangdong Nanhai Industry”	Guangdong Nanhai Industry Group Co., Ltd.* (廣東南海產業集團有限公司), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee which comprises all the independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. PENG Xinyu and Ms. LIN Junxian, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Disposal Agreement
“Independent Financial Adviser” or “Octal”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	the Shareholders other than those who have material interest in the Disposal Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	27 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Guangdong Nanhai Holding Group Co., Ltd.* (廣東南海控股集團有限公司), a company established in the PRC with limited liability and a controlling Shareholder
“Remaining Group”	the Group after completion of the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	72% equity interest of Sino Rock Tyco
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	the ordinary share(s) of HK\$0.10 each of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Sino Rock Tyco”	Guangdong Sino Rock Tyco Construction Co., Ltd.* (廣東中岩泰科建設有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Sino Rock Tyco Group”	Sino Rock Tyco and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	a period from the date of the Disposal Agreement to the Completion Date
“Valuation Benchmark Date”	30 September 2023
“Valuation Report”	the valuation report prepared by the independent property valuer set out in Appendix I of this circular
“Vendor”	CIH Finance Investments Holdings Limited (中國興業金融投資控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company holding the Sale Interest
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of this circular, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.094 and amounts denominated in US\$ have been translated into HK\$ at the exchange rate of US\$1 = HK\$7.8.

** For identification purpose only*

LETTER FROM THE BOARD



CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

Executive Directors:

He Xiangming (*Chairman*)

Fu Weiqiang (*President*)

You Guang Wu

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Shi Xuguang

Independent Non-executive Directors:

Chan Kwok Wai

Peng Xinyu

Lin Junxian

29 December 2023

To the Shareholders

Dear Sir or Madam,

**(I) VERY SUBSTANTIAL DISPOSAL AND
CONNECTED TRANSACTION – PROPOSED DISPOSAL OF
72% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY
AND
(II) NOTICE OF FIRST SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2023 whereby the Board announced that the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 72% equity interest in Sino Rock Tyco at a consideration of RMB972 million (equivalent to approximately HK\$1,063 million).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal; (iv) the properties valuation report; (v) the financial information of the Group; (vi) the financial information of Sino Rock Tyco Group; (vii) the unaudited pro forma financial information of the Remaining Group; (viii) other information as required under the Listing Rules; and (ix) a notice convening the First SGM.

THE DISPOSAL AGREEMENT

On 6 December 2023, the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 72% equity interest in Sino Rock Tyco. A summary of the key terms of the Disposal Agreement are set out as follows:

Date

6 December 2023 (after trading hours)

Parties

- (i) the Vendor (a wholly-owned subsidiary of the Company)
- (ii) the Purchaser

Asset to be disposed of

The Sale Interest, representing 72% equity interest in Sino Rock Tyco, is proposed to be disposed of by the Vendor to the Purchaser pursuant to the Disposal Agreement.

Consideration

The consideration for the Disposal is RMB972 million (equivalent to approximately HK\$1,063 million), which shall be paid by the Purchaser to the Vendor in one lump sum, after payment of the income tax by the Purchaser on behalf of the Vendor in connection with the Disposal, within 10 Business Days following the Completion Date.

The consideration was arrived at after arm's length negotiations between the parties and has taken into account (1) the unaudited consolidated net book assets value of Sino Rock Tyco Group of approximately HK\$771 million (equivalent to approximately RMB705 million) attributable to the Sale Interest as of 30 June 2023 (the "**Net Asset Value**"); and (2) the appreciation adjustment for properties interests of Sino Rock Tyco Group in the amount of approximately HK\$281 million (equivalent to approximately RMB257 million) (the "**Adjustments**") attributable to the Sale Interest.

LETTER FROM THE BOARD

The Adjustments represent (i) the sum of (a) the book value of the deferred income received from government subsidies in the amount of approximately HK\$169 million (equivalent to approximately RMB154 million) (the “**Paid Subsidies**”); (b) the property value of Sino Rock Tyco Group as at 30 September 2023 in the amount of RMB2,230 million (equivalent to approximately HK\$2,440 million) based on the valuation report issued by the independent valuer (the “**Valuation**”); (c) the after-tax discounted value of government subsidies receivable in the future in the amount of approximately RMB126 million (equivalent to approximately HK\$138 million) (the “**Unpaid Subsidies**”); less (ii) the book value of the properties interests of Sino Rock Tyco Group as at 30 June 2023 in the amount of HK\$2,287 million (equivalent to approximately RMB2,090 million) and the construction expense payables as at 30 September 2023 in the amount of RMB63 million (equivalent to approximately HK\$69 million) (the “**Construction Expenses**”).

The Paid Subsidies and the Unpaid Subsidies are both financial subsidies from the Government of Nanhai District in Foshan to support the construction of the new energy industrial park and ancillary facilities in Nanhai District. The Paid Subsidies have been received by Sino Rock Tyco Group but are yet to be recognized as revenue in accordance with accounting standards, whereas the Unpaid Subsidies are expected to be received in the future, and are considered as rights and interests yet to be recognized in accordance with accounting standards. Therefore, the Paid Subsidies and the Unpaid Subsidies have not yet been reflected in the Net Asset Value and adjustments were made as if they were added back to the Net Asset Value.

The Construction Expenses are estimated costs and expenses payable to independent third parties (e.g contractors, project managers) upon completion of the projects in relation to the property interests of Sino Rock Tyco Group. However, as the Valuation was prepared based on the assumption that constructions have been completed, the financial liability for the construction costs to be paid has not been taken into account in the Valuation but was instead deducted from the Valuation.

Given that the construction expenses to be incurred under any construction agreement entered into post-Valuation Benchmark Date will increase the fixed assets of Sino Rock Tyco Group but at the same time will also increase its liabilities through accounts payable or reduce its cash balance, it will not have an impact on the Net Asset Value and will not affect the amount of consideration in respect of the Disposal.

Therefore, in view of the above, the Directors are of the view that the consideration for the Disposal (including the Adjustments) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Implementation of the Disposal is conditional upon fulfillment (or waiver, if applicable) of the following conditions precedent:

- a) the Disposal Agreement being executed by the parties;
- b) Guangdong Nanhai Industry having agreed to the Disposal and giving up its pre-emptive right;

LETTER FROM THE BOARD

- c) the Sale Interest is legally owned by the Vendor and such equity interest has not been transferred or pledged to any other entity or person and is not subject to any debt as at the Completion Date;
- d) the Sale Interest is not subject to any litigation, arbitration, administrative penalties or enforcement, nor is there any restriction on transfer or existence of any trust arrangement or ownership dispute as at the Completion Date;
- e) during the Transitional Period, there being no material adverse change regarding the operation or financial situation of Sino Rock Tyco or profit distribution in any form;
- f) during the Transitional Period, there being no creation of, or allowance to create, any encumbrances over the asset or property of Sino Rock Tyco and Sino Rock Tyco has not directly or indirectly dispose of its major assets, and has not incurred any material debt (other than disposal, leases, or liabilities during normal business operation);
- g) Sino Rock Tyco has been in continuous operation and there has not been any major violation of laws or regulations before the date of the Disposal Agreement;
- h) all the necessary authorizations and approvals for the signing of the Disposal Agreement by the Purchaser have been legally obtained; and
- i) all the necessary consents, authorizations and approvals in connection with the Disposal having been obtained by the Vendor and the Company, including but not limited to the approval by the board of directors of the Vendor and approvals by the Board and shareholders of the Company respectively.

Save for the conditions referred to in (a), (c), (h) and (i) above, all the other conditions precedent above may be waived by the parties by agreement. As at the Latest Practicable Date, conditions (a), (b), (g), (h) and (i) (except the approval by the shareholders of the Company) have been fulfilled.

Completion

Within 45 Business Days from the Effective Date of the Disposal Agreement, the Vendor shall facilitate Sino Rock Tyco in applying for the registration of industrial and commercial changes regarding the Disposal, change of company's business nature and change of articles of association etc. and the Purchaser shall provide necessary assistance. The rights and liabilities of Sino Rock Tyco will continue to be enjoyed and borne by Sino Rock Tyco upon Completion. Sino Rock Tyco will continue its business operation upon Completion and contracts with its employees shall continue to be in force.

Upon Completion, members of the Sino Rock Tyco Group will cease to be subsidiaries of the Company and the financial results of the Sino Rock Tyco Group will no longer be consolidated into the financial statements of the Group. Accordingly, the Group will cease to engage in the industrial parks and property development business upon Completion.

LETTER FROM THE BOARD

Arrangement on government subsidies

The Government of Nanhai District in Foshan shall provide Sino Rock Tyco Group with government subsidies in the total amount of RMB600 million for its construction of the new energy industrial park and ancillary facilities (the “**Subsidies**”). The Subsidies entitlement period is from 2018 to 2026. As of the Benchmark Date, Sino Rock Tyco and its wholly-owned subsidiary Foshan City Xianhuwan Development Co., Ltd.* (佛山市仙湖灣置業有限公司) have received a portion of the Subsidies in the amount of approximately RMB419 million (comprising approximately RMB408 million of subsidies actually received and accounted for and approximately RMB11 million representing a portion of the Paid Subsidies) and the remaining portion of the Subsidies (represent the before tax and before discount value of the Unpaid Subsidies) in the amount of approximately RMB181 million (the “**Remaining Subsidies**”) are expected to be received in batches from 2023 to 2027 subsequent to completion of the Disposal.

However, if any amount of the Remaining Subsidies has not been collected as at 1 January 2028, the Vendor shall pay the after-tax value of the uncollected Remaining Subsidies to the Purchaser according to the corresponding proportion of the Purchaser’s equity interest in Sino Rock Tyco within 20 Business Days from 1 January 2028 (the “**Paid Amount**”). If Sino Rock Tyco subsequently collected any receivable Remaining Subsidies, the Purchaser shall, within 20 Business Days upon Sino Rock Tyco’s receipt of any amount of the Remaining Subsidies, return the corresponding proportion of the Paid Amount to the Vendor.

Late payment

If the Purchaser fails to pay the consideration in respect of the Disposal to the Vendor in full and on time pursuant to the Disposal Agreement, a penalty of 0.015% of the outstanding amount payables shall be paid by the Purchaser to the Vendor on daily basis for default.

INFORMATION ON SINO ROCK TYCO GROUP

Sino Rock Tyco is a company established in the PRC in 2017 with limited liability. As at the Latest Practicable Date, Sino Rock Tyco has a fully paid-up registered capital of RMB910,000,000 and is owned as to 72% by the Vendor (a wholly-owned subsidiary of the Company) and 28% by Guangdong Nanhai Industry which is principally engaged in investment, development, construction and management of financial high-tech zone projects; real estate development and management; real estate agency services and property management; new technology and product project investment; provision of consulting services, technical support, planning services, investment management for business decision-making; corporate management; acceptance of other equity investment entrustment, provision of equity investment, management, consulting services. Guangdong Nanhai Industry is held as to 90% by the State-owned Assets Supervision and Administration Bureau of Nanhai District, Foshan City* (佛山市南海區國有資產監督管理局) and 10% by Department of Finance of Guangdong Province, both of which are also the ultimate beneficial owners of the Purchaser.

LETTER FROM THE BOARD

Sino Rock Tyco engages in the investment, development, construction and operation of new energy industrial park in Danzao Town, Nanhai District, Foshan, the PRC. Sino Rock Tyco entered into the land use right lease agreements, pursuant to which the unencumbered land use right for the total site area of approximately 916,000 square metres in Danzao Town have been leased to Sino Rock Tyco for terms ranging from approximately 32 to 34 years commencing from 2018 or 2019. The park includes production plants, pilot plants, a research and development hub and related supporting facilities. As at the Latest Practicable Date, Phase 1 and 2 of the park have been completed, and the production plants and the pilot plants have been put into operation with a leasable area of approximately 186,000 square metres and 113,000 square metres, respectively. Sino Rock Tyco also completed the construction of Dan Qing Garden rental housing project of approximately 102,000 square metres. The Group operates the park for leasing. In addition, Sino Rock Tyco acquired the properties of Xianhuwan Commercial Plaza in Danzao Town with a gross floor area of approximately 29,000 square metres which have been rented out for use as offices, exhibition hall, hotel accommodation and catering centre.

Set out below is certain unaudited financial information of Sino Rock Tyco Group prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	31,093	82,555	48,047
Net profit before taxation	13,287	42,456	13,371
Net profit after taxation	11,379	38,094	13,305

The unaudited consolidated net asset value of Sino Rock Tyco Group as at 30 June 2023 prepared in accordance with Hong Kong Financial Reporting Standards was approximately HK\$1,071,133,000. The book value of the properties interests of Sino Rock Tyco Group as at 30 June 2023 was approximately HK\$2,287,344,000 and the Valuation of Sino Rock Tyco Group as at 30 September 2023 was RMB2,230,104,000 (equivalent to approximately HK\$2,439,734,000).

LETTER FROM THE BOARD

In arriving at the Valuation, the valuer has considered various valuation methods:

(A) Industrial real estate and the Dan Qing Garden rental housing

The discounted cash flow approach was used. This valuation includes the value of the above-ground buildings and the leased land use rights assets where they are located. The cash flow forecast has not deducted the land rent and land management fees to be paid during the remaining operating period of the properties. The discounted cash flow is calculated as: valuation of property interests

$$= \sum \frac{\text{Net income from property operation for each year during the property operating period}}{(1 + \text{discounted rate})^{\text{Operating period}}}$$

The net operating income of the properties is calculated as the estimated rental income of the properties in the future operating period less the relevant operating costs. The discounted rate used in the valuation is 5%, primarily with reference to the general rate of return for leasing real estate of similar use in the local area. The operating period is from the Valuation Benchmark Date to the end of 2051 based on the remaining operating period of the leasehold land where the properties are located. The incremental rate of rent during the operating period is set at 3% per year according to the prevailing market conditions. Pursuant to the land lease agreement, the properties shall be transferred back at nil consideration upon the expiration of the operating period. Hence there shall be no recovery of residual value.

(B) Properties in commercial plaza and the buildings therein

(i) Properties in commercial plaza

The replacement cost approach was used, which is calculated as the total current replacement cost of the building, less estimated depreciation. The total replacement cost of the property comprises the construction cost, pre-construction and other costs, capital costs and construction profit, of which the construction cost is estimated with reference to the construction cost of similar buildings to arrive at the construction cost per sq.m. The upfront cost rate includes the management fee, bidding agent fee, environmental impact assessment fee, survey and design fee, project supervision fee, infrastructure support fee and others of the construction unit, which is calculated with reference to the relevant local fee standards. The capital cost is calculated according to the 1-year construction cycle with reference to the LPR loan rate of 3.55% for the corresponding period, and the development profit is calculated at 8% with reference to the general level of the industry. The buildings have been in use for approximately 9.5 years and the remaining useful life of the buildings was approximately 21 years based on the shorter of the theoretical useful life of the buildings and the remaining useful life of the land. Based on the calculation of the building residue ratio

$$= \frac{\text{Remaining useful life of the buildings}}{(\text{Remaining useful life of the buildings} + \text{serviced life of the buildings})}$$

it was concluded that the building residue ratio of the property was approximately 69%.

LETTER FROM THE BOARD

(ii) Land use right of commercial plaza

The market approach was used and cases of land market transactions were selected for comparative analysis. Having taken into account the actual situation of the land parcel concerned, the average floor area price of the land parcel was RMB1,818 per sq.m. by making adjustments with respect to the location, physical condition and remaining tenure of the above cases, of which the magnitude of the adjustment of the location generally ranged from -15% to 15%.

(C) Leased land use rights assets to be developed

The discounted cash flow method was used. Pursuant to the land lease agreements for the land parcel, the tenures commence from the earliest of 23 October 2018 and ends on the latest of 20 December 2051, and the agreed land lease fee for the first year is RMB30,000 per mu per year (inclusive of VAT) which shall be increased by 8% every 3 years, while the land management fee is RMB1.3 per sq.m. per year (inclusive of VAT) which shall be increased by 8% every 3 years. The valuation conclusion does not include lease fees and management fees to be paid after the Valuation Benchmark Date. The cash flows used in the valuation are the rent (exclusive of VAT) and land management fees as agreed in the land lease agreement, and the discounted rate used is calculated at Sino Rock Tyco's incremental borrowing rate of 5% with reference to the relevant accounting standards, which was discounted at the beginning of each year according to the time of payment of the lease fees.

(D) Construction in progress

Replacement cost method was used, and the cost recorded in the books is used as the assessed value.

In the Valuation, the valuer has assumed that:

- (i) all necessary statutory approvals for the properties or the building of which the properties forms part of its use have been obtained;
- (ii) no deleterious or hazardous materials or techniques have been used in the construction of the properties;
- (iii) the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown;
- (iv) the relevant construction costs and construction expenses of the properties as of the Valuation Benchmark Date of 30 September 2023 have been paid, and the impact on the Valuation in respect of subsequent construction costs to be paid has not been taken into account; and
- (v) other special assumptions for the property, if any, are set out in the notes to the "Valuation Certificate".

Please refer to the Valuation Report set out in Appendix I of this circular for further details of the Valuation.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL

Earnings

The Group expects to record a gain as a result of the Disposal of approximately HK\$195 million, being the difference between (i) the consideration for the Disposal of RMB972 million (equivalent to approximately HK\$1,063 million) net of the estimated expenses and tax expenses in connection with the Disposal of approximately RMB30 million (equivalent to approximately HK\$33 million); and (ii) the unaudited consolidated net asset value of Sino Rock Tyco Group attributable to the Sale Interest as at 30 June 2023 of approximately HK\$771 million) after making adjustments on the release of foreign currency translation reserve of approximately HK\$73 million of Sino Rock Tyco Group and other reserve of approximately HK\$9 million upon the Disposal. In addition, following the Disposal, the Group expects to record a loss following the derecognition of an equity option measured as financial asset at fair value through profit or loss (the “**Financial Asset**”) of approximately HK\$86 million, with reference to, for illustration, the fair value and the net book value of the equity option as at 30 June 2023, which was determined using the binomial pricing model approach to derive the valuation of the Financial Asset. The Financial Asset was part of the terms of the joint venture establishment for Sino Rock Tyco between the Vendor and Guangdong Nanhai Industry pursuant to which the Vendor may at its absolute discretion require Guangdong Nanhai Industry (or its designated entity) to acquire from it its equity interests in Sino Rock Tyco.

Assets and Liabilities

Upon Completion, each member of the Sino Rock Tyco Group will cease to be subsidiaries of the Company, and the financial information of the Sino Rock Tyco Group will no longer be consolidated into the Group’s consolidated financial statements. Pursuant to the unaudited consolidated financial statements of the Group as at 30 June 2023, prior to the Disposal, the Group had total assets and total liabilities of HK\$9,617,696,000 and HK\$7,643,492,000, respectively. The net current assets of the Group as at 30 June 2023 was HK\$262,568,000. Pursuant to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming the Disposal had been completed on 30 June 2023, the unaudited pro forma consolidated (i) total assets of the Remaining Group as at 30 June 2023 would be reduced by approximately HK\$2,835,425,000 to approximately HK\$6,782,271,000; and (ii) total liabilities of the Remaining Group as at 30 June 2023 would be reduced by approximately HK\$2,706,686,000 to approximately HK\$4,936,806,000 (including the reduction of approximately HK\$85,821,000 in current assets following the derecognition of the Financial Asset upon Completion, which is not expected to affect the total liabilities of the Remaining Group). Upon full payment of the consideration of RMB972,000,000 (equivalent to approximately HK\$1,063,368,000) for the Disposal and taking into consideration after repayment of loan due to Sino Rock Tyco Group of approximately HK\$294,233,000 (which represents RMB272.5 million converted at the exchange rate of RMB1 = HK\$1.080 as disclosed in the statement of financial position of Sino Rock Tyco as at 30 June 2023), repayment of bank loan of current liabilities of HK\$703,094,000 (which represents US\$90,000,000 converted at the exchange rate of USD1 = HK\$7.81215 as disclosed in the statement of financial position of Sino Rock Tyco as at 30 June 2023) and effect of foreign exchange rates changes of HK\$2,744,000 (which represents the difference between the exchange rate used as at 30 June 2023 and the exchange rate used for the purpose of this circular), the consolidated net current assets of the Group as at 30 June 2023 would be increased by HK\$341,523,000 to HK\$604,091,000.

LETTER FROM THE BOARD

The above calculations are only estimates provided for illustrative purposes and are subject to further review by the auditors of the Company. The full text of the unaudited pro forma financial information of the Remaining Group are disclosed on Appendix IV to this circular.

The aforesaid estimation is for illustrative purpose only and does not purport to represent the financial position of the Group after Completion. The actual financial effects of the Disposal will be determined with reference to the financial status of the Sino Rock Tyco Group as at the Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In 2017, Sino Rock Tyco was established to invest and construct the new energy industrial park in Danzao Town, Nanhai District, the PRC. The Group has developed a diversified business with development potential during the “Thirteenth Five-Year Plan” period including wellness elderly care, finance leasing, park construction and operation, civil explosive business, big data, hotel, etc., laying a solid and industrious foundation for the Group. The industrial parks and property development business of the Group would not have been profitable in the year ended 31 December 2022 and for the six months ended 30 June 2023 without the respective government subsidies and compensations recorded of over HK\$92 million and HK\$41 million for that segment. Since the “Fourteenth Five-Year Plan” period, with the vision of becoming the Greater Bay Area’s first-rate elderly care and wellness investment group, the Group has intended to streamline its business and the Disposal is a part of such strategic positioning measure by the Group.

To maintain adaptability and mitigate against market risks as part of its periodic review of business segments from time to time to optimize strategic positioning, the Group had remained opened to divestment opportunities for its investment portfolios whilst continuing its efforts to keep up the park’s operations. The preliminary negotiation on the Disposal started around April 2023 by the respective development and investment departments of the Company and the Purchaser. The Group regularly engages contractors through separate tender processes for its construction needs in different projects from time to time depending on capital expenditure requirements and availability of funds. The transactions contemplated under the two procurements and construction agreements dated 28 April 2023 and 8 November 2023, for the survey, design, procurement and construction works and other incidental services for the projects in the new energy industrial park invested and established by Sino Rock Tyco Group (the “**Transactions**”) were entered into for Sino Rock Tyco’s operation. As Sino Rock Tyco is a subsidiary of the Company, the Group is responsible to keep up the ongoing operations of Sino Rock Tyco prior to Completion. As the Transactions were entered into by Sino Rock Tyco, their costs and value were borne by Sino Rock Tyco and will have no effect on the Remaining Group following the Completion. In view of the above, the Company considers that the entering into of the Transactions are fair and reasonable and in the interests of the Company.

Against the backdrop of China’s aging population, the wellness elderly care business is full of investment and development potential. In the past two years, the Group has successfully integrated and operated most of the public elderly care institutions in the Nanhai District. However, problems exist such as outdated facilities, low-quality hardware and weak marketization management capabilities of these institutions. Although the profitability of the wellness elderly care business of the Group is not strong at this early incubation stage, through facilities upgrading to improve business service capabilities, the scale and quality of the wellness elderly care

LETTER FROM THE BOARD

business will be expanded and upgraded, and its profitability will improve gradually. Taking into account that the industrial parks and property development business and the wellness elderly care business are both asset and capital-heavy businesses, as the proceeds from the Disposal will improve the immediate financial positions and immediate liquidity of the Group, including its gearing and current ratios and cashflow, the freed up liquidity allows the Group to shift its resource allocation towards the wellness elderly care business and sharpen the Group's strategic focus on wellness elderly care business to facilitate its long-term business development. Pursuant to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming the Disposal had been completed on 30 June 2023, the unaudited pro forma consolidated total liabilities of the Remaining Group as at 30 June 2023 would be decreased from HK\$7,643,492,000 to HK\$4,936,806,000 and gearing ratio would be reduced from 79.5% to 72.8%. The consolidated net current assets of the Remaining Group would be increased from HK\$262,568,000 to HK\$604,091,000. Further information on the Group's gearing ratio and current ratio immediately following the Disposal and repayment of the relevant borrowings originally used to finance the capital needs of Sino Rock Tyco are disclosed on page V-5 of Appendix V to this circular.

In addition, given some of Sino Rock Tyco Group's property assets have depreciated in the past two years and the prevailing negative sentiment and systemic risks permeating the property market showing no sign of subsiding in the near future, the Disposal would be a good opportunity for the Group to effectively eliminate the possible continued depreciation of the future value of such properties and realise its investment.

Save as disclosed above, the Company has not entered into any negotiation, arrangement or agreement, nor does it have any intention, to downsize, cease or dispose of any of the existing business of the Group as at the Latest Practicable Date.

The Directors further consider that the proceeds from the Disposal can provide immediately available funds to satisfy the Group's capital needs, therefore enhancing the Group's liquidity and financial position and reducing the gearing ratio of the Group to enable it to seek banking facilities with more favourable terms for future business development. The current liabilities of the Company as at 31 October 2023 amounted to approximately HK\$703,503,800. The Company intends to apply the net proceeds from the Disposal, which is estimated to be approximately RMB942 million (equivalent to approximately HK\$1,031 million) (after deducting transaction costs and expenses), as to (i) RMB272 million (equivalent to approximately HK\$298 million) for repayment of loan due from the Company and its other subsidiaries to Sino Rock Tyco Group; (ii) US\$90 million (equivalent to approximately HK\$702 million) for repayment of bank loan due from the Company; and (iii) approximately HK\$31 million for the Group's general working capital purpose.

In view of the above, the Directors (including members of the Independent Board Committee whose views have separately been provided in the Letter from the Independent Board Committee of this circular after considering the advice of the Independent Financial Adviser) consider that notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, the terms and conditions of the Disposal Agreement (including the consideration) and the Disposal contemplated thereunder are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Group is principally engaged in wellness elderly care, finance leasing, property investments in both properties held for sale and investment properties, big data, civil explosives, hotel investment, management and operation businesses. Through its joint ventures and associated companies, the Group also participates and invests in fast growing sectors, including electric utilities in the PRC.

The Vendor is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, which is principally engaged in finance and project investment.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in investments, assets management, park management, property development, management and leasing, land use right leasing and power generation and supply. The Purchaser is held as to 90% by the State-owned Assets Supervision and Administration Bureau of Nanhai District, Foshan City* (佛山市南海區國有資產監督管理局) and 10% by Department of Finance of Guangdong Province.

Sino Rock Tyco is principally engaged in property investment, development, construction, operation and management.

LISTING RULES IMPLICATIONS

As the highest percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Also, as at the Latest Practicable Date, the Purchaser is a controlling shareholder of the Company, interested in 71.41% of all issued Shares and hence a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Shi Xuguang, a non-executive Director, has abstained from voting on the relevant Board resolutions as he is the deputy general manager of the Purchaser. Save as disclosed, no other Director has any material interests in the Disposal Agreement and therefore, none of the Directors had abstained from voting on the relevant Board resolutions.

FIRST SGM

A notice convening the First SGM is set out from pages SGM-1 to SGM-2 of this circular. An ordinary resolution will be proposed at the First SGM to consider, and if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, Prize Rich Inc. (a wholly-owned subsidiary of the Purchaser) holds and is entitled to exercise control over the voting rights in respect of 1,222,713,527 Shares, representing 71.41% of all issued Shares as at the Latest Practicable Date. Prize Rich Inc. will abstain from voting on the relevant resolution at the First SGM to approve the Disposal Agreement and the transactions contemplated thereunder. Save as disclosed, no other Shareholder is required to abstain from voting on the relevant resolution at the First SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders on the proposed resolution at the First SGM shall be taken by poll. An announcement will be made by the Company following the conclusion of the First SGM to inform Shareholders of the results of the First SGM.

A form of proxy for use at the First SGM is enclosed with this circular. Whether or not you intend to attend the First SGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the First SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the First SGM should you so wish.

RECORD DATE

Record date (being the last date for registration of any share transfer given there that will be no book closure) for determining the entitlement of the Shareholders to attend and vote at the First SGM will be Monday, 15 January 2024. In order to qualify for attendance and voting at the First SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, and transfer office in Hong Kong, Tricor Progressive Limited at 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 January 2024.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders regarding the terms and conditions of the Disposal Agreements and the transactions contemplated thereunder.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Disposal Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Board is of the view that the terms of the Disposal Agreement have been negotiated on an arm's length basis, on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the First SGM. Before deciding how to vote on the said resolution at the First SGM, you are advised to read (i) the Letter from the Independent Board Committee from pages 18 to 19 of this circular; and (ii) the Letter from Independent Financial Adviser from pages 20 to 47 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in arriving its opinions.

ADDITIONAL INFORMATION

Your attention is drawn to the financial and general information as set out in the appendices to this circular.

On behalf of
China Investments Holdings Limited
HE Xiangming
Chairman

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

29 December 2023

To the Independent Shareholders

Dear Sir/Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION –
PROPOSED DISPOSAL OF 72% EQUITY INTEREST IN
A NON-WHOLLY OWNED SUBSIDIARY**

We refer to the circular of the Company to the Shareholders dated 29 December 2023 in relation to the Disposal (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 17 of the Circular and the letter of advice from Octal Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement and the transactions contemplated thereunder, set out on pages 20 to 47 of the Circular.

Having considered, among other matters, the terms and conditions of the Disposal Agreement and the transactions contemplated thereunder, and the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that although the Disposal Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the First SGM in respect of the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

CHAN Kwok Wai

PENG Xinyu
Independent Non-executive Directors

LIN Junxian

* *For identification purpose only*

LETTER FROM OCTAL CAPITAL LIMITED



801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

29 December 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF 72% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group to the Shareholders dated 29 December 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the announcement of the Company dated 6 December 2023 in relation to, among others, the Disposal. The Board announces that on 6 December 2023 (after trading hours), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 72% equity interest in Sino Rock Tyco at a consideration (the “**Consideration**”) of approximately RMB972 million (equivalent to approximately HK\$1,063 million), subject to deduction of income tax. Upon Completion, members of the Sino Rock Tyco Group will cease to be subsidiaries of the Company and the financial results of the Sino Rock Tyco Group will no longer be consolidated into the financial statements of the Group.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. PENG Xinyu and Ms. LIN Junxian, has been formed to advise the Independent Shareholders on whether the terms of the Disposal Agreement is fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee’s consideration when making their recommendations to the Independent Shareholders.

LETTER FROM OCTAL CAPITAL LIMITED

As at the Latest Practicable Date, we are not connected with the Group and the Purchaser, or where applicable, any of the respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, there has been no other engagement entered into between the Company and us. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Disposal Agreement.

Apart from normal professional fees payable to us by the Company in connection with these appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group or the Sino Rock Tyco Group or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on (i) the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); (ii) the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**"); (iii) the Disposal Agreement; (iv) the announcement of the Company dated 6 December 2023; (v) the valuation report (the "**Valuation Report**") of the properties of Sino Rock Tyco Group (the "**Properties**") issued by Allied Appraisal Co., Ltd. (中聯國際房地產土地資產評估諮詢(廣東)有限公司) (the "**Independent Valuer**"); (vi) the information and facts contained or referred to in the Circular; (vii) the information supplied by the Group; (viii) the opinions expressed by and the representations of the professional parties engaged by the Group; and (ix) our review of the relevant public information. We have also relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Group regarding the Disposal, the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Group in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to either suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Group. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

LETTER FROM OCTAL CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Disposal, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in wellness elderly care, finance leasing, property investments in both properties held for sale and investment properties, big data, civil explosives, hotel investment, management and operation businesses. Through its joint ventures and associated companies, the Group also participates and invests in fast growing sectors, including electric utilities in the PRC.

Set out below is a summary of the consolidated financial information of the Group for (i) the year ended 31 December 2021 (“**FY2021**”) and the year ended 31 December 2022 (“**FY2022**”) as extracted from the 2022 Annual Report; and (ii) the six months ended 30 June 2022 (“**1H2022**”) and the six months ended 30 June 2023 (“**1H2023**”) as extracted from the 2023 Interim Report:

Consolidated financial results of the Group

	FY2021 <i>HK\$'000</i> <i>(audited)</i>	FY2022 <i>HK\$'000</i> <i>(audited)</i>	1H2022 <i>HK\$'000</i> <i>(unaudited)</i>	1H2023 <i>HK\$'000</i> <i>(unaudited)</i>
Revenue				
– Big data business	32,058	13,048	4,838	4,909
– Civil explosives business	140,847	195,138	86,420	102,236
– Financial leasing	216,144	330,485	160,884	173,031
– Hotel operation	12,131	9,730	3,786	7,392
– Industrial parks and property development	30,784	82,301	40,379	48,047
– Property investments	11,128	14,472	5,588	4,966
– Wellness elderly care business	<u>77,754</u>	<u>122,458</u>	<u>51,852</u>	<u>73,695</u>
Total Revenue	520,846	767,632	353,747	414,276
Cost of sales and services	<u>(315,608)</u>	<u>(477,590)</u>	<u>(221,308)</u>	<u>(256,504)</u>
Gross profit	205,238	290,042	132,439	157,772
Profit/(loss) for the year/ period	<u><u>10,887</u></u>	<u><u>42,824</u></u>	<u><u>46,575</u></u>	<u><u>51,237</u></u>

LETTER FROM OCTAL CAPITAL LIMITED

FY2021 vs FY2022

The Group recorded revenue of approximately HK\$520.8 million and approximately HK\$767.6 million for FY2021 and FY2022 respectively, representing an increase of approximately 47.4%, which was mainly attributable to the increase in revenue generated from the civil explosives business, the financial leasing, the industrial parks and property development and the wellness elderly care business for FY2022 as compared to FY2021. During FY2022, the revenue of the Group from the civil explosives business amounted to approximately HK\$195.1 million, representing an increase of approximately HK\$54.3 million or approximately 38.6% compared to the amount of approximately HK\$140.8 million recorded in FY2021, mainly attributable to the impact on production by transformation eliminated after the completion of the technological transformation of civil explosive business. Meanwhile, the revenue of the Group from the financial leasing amounted to approximately HK\$330.5 million in FY2022, representing an increase of approximately HK\$114.4 million or approximately 52.9% compared to the amount of approximately HK\$216.1 million recorded in FY2021. Moreover, the revenue of the Group from the industrial parks and property development amounted to approximately HK\$82.3 million in FY2022, representing an increase of approximately HK\$51.5 million or 1.7 times compared to the amount of approximately HK\$30.8 million recorded in FY2021, mainly attributable to the recognition of rental income from the industrial park following the completion of the construction, delivery and operation of the Phase 1 and 2 of the new energy industrial park (the “**Industrial Park**”) in 2022. In addition, the revenue of the Group from the wellness elderly care business amounted to approximately HK\$122.5 million in FY2022, representing an increase of approximately HK\$44.7 million or approximately 57.5% compared to the amount of approximately HK\$77.8 million recorded in FY2021 which were mainly attributable to the takeover of several public elderly care institutions sponsored by towns or sub-districts in Xiqiao, Dali, Shishan, Lishui of Nanhai District in the second half of FY2022. The gross profit of the Group increased from approximately HK\$205.2 million for FY2021 to approximately HK\$290.0 million for FY2022.

The profit for the year increased from approximately HK\$10.9 million for FY2021 to approximately HK\$42.8 million for FY2022, mainly attributable to the increase in revenue and the increase in fair value of financial assets at fair value through profit or loss, partly offset by the increase in finance costs and the increase in allowance for expected credit losses on finance lease receivable.

LETTER FROM OCTAL CAPITAL LIMITED

1H2022 vs 1H2023

The Group recorded revenue of approximately HK\$353.7 million and approximately HK\$414.3 million for 1H2022 and 1H2023 respectively, representing an increase of approximately 17.1%, mainly attributable to the increase in revenue generated from the civil explosives business, the financial leasing, the industrial parks and property development and the wellness elderly care business for 1H2023 as compared to 1H2022. During 1H2023, the revenue of the Group from the civil explosives business amounted to approximately HK\$102.2 million, representing an increase of approximately HK\$15.8 million or approximately 18.3% compared to the amount of approximately HK\$86.4 million recorded in 1H2022, mainly attributable to the completion of acquisition of 51% equity interest in Zhaoqing Huaxin Blasting Engineering Co., Ltd. by the Group in 2022. Meanwhile, the revenue of the Group from the financial leasing amounted to approximately HK\$173.0 million in 1H2023, representing an increase of approximately HK\$12.1 million or approximately 7.5% compared to the amount of approximately HK\$160.9 million recorded in 1H2022, mainly attributable to the development of quality municipal environmental services in Nanhai District, Foshan and across the country. Moreover, the revenue of the Group from the industrial parks and property development amounted to approximately HK\$48.0 million in 1H2023, representing an increase of approximately HK\$7.6 million or approximately 18.8% compared to the amount of approximately HK\$40.4 million recorded in 1H2022, mainly attributable to the continuous increase in rental income following the completion of the construction, delivery and operation of the Phase 1 and 2 of the Industrial Park in 2022. In addition, the revenue of the Group from the wellness elderly care business amounted to approximately HK\$73.7 million in 1H2023, representing an increase of approximately HK\$21.8 million or approximately 42.0% compared to the amount of approximately HK\$51.9 million recorded in 1H2022, mainly attributable to the taking over of the operation of several public elderly care institutions by the Group in the second half of 2022. The gross profit of the Group increased from approximately HK\$132.4 million for 1H2022 to approximately HK\$157.8 million for 1H2023.

The profit for the period increased from approximately HK\$46.6 million for 1H2022 to approximately HK\$51.2 million for 1H2023, mainly attributable to the increase in revenue and the increase in share of profit of an associate.

LETTER FROM OCTAL CAPITAL LIMITED

Major items of the consolidated financial position of the Group as at 31 December 2021, 31 December 2022 and 30 June 2023 extracted from 2022 Annual Report and 2023 Interim Report are summarized in the following table.

	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Non-current assets	6,433,245	6,802,129	6,962,171
Current assets	<u>1,866,456</u>	<u>2,267,456</u>	<u>2,655,525</u>
Total assets	8,299,701	9,069,585	9,617,696
Non-current liabilities	4,192,080	4,716,803	5,250,535
Current liabilities	<u>1,915,165</u>	<u>2,259,997</u>	<u>2,392,957</u>
Total liabilities	6,107,245	6,976,800	7,643,492
Net current assets/(liabilities)	(48,709)	7,459	262,568
Net assets	2,192,456	2,092,785	1,974,204
Equity attributable to owners of the Company	1,189,289	1,013,031	936,661
Borrowings:			
Current portion	1,610,078	1,923,318	2,113,696
Non-current portion	<u>2,758,685</u>	<u>3,311,356</u>	<u>3,874,640</u>
Total borrowings	<u>4,368,763</u>	<u>5,234,674</u>	<u>5,988,336</u>
Gearing ratio ^{Note}	<u>73.6%</u>	<u>76.9%</u>	<u>79.5%</u>

Note:

The gearing ratio is calculated based on total liabilities divided by total assets.

The assets of the Group mainly include finance lease receivables, property, plant and equipment, investment properties, right-of-use assets and cash and bank balances. The liabilities of the Group mainly include borrowings, lease liabilities and deferred income.

LETTER FROM OCTAL CAPITAL LIMITED

As at 31 December 2022, the Group had current assets of approximately HK\$2,267.5 million, and current liabilities of approximately HK\$2,260.0 million, representing net current assets of approximately HK\$7.5 million. The Group recorded net assets of approximately HK\$2,092.8 million as at 31 December 2022, representing a decrease of approximately 4.5% or approximately HK\$99.7 million as compared to as at 31 December 2021. This was mainly attributable to an increase in the total borrowings (including current and non-current portions) from approximately HK\$4,368.8 million as at 31 December 2021 to approximately HK\$5,234.7 million as at 31 December 2022.

The Group's total borrowings amounted to approximately HK\$5,234.7 million as at 31 December 2022, representing an increase of approximately 19.8% or approximately HK\$865.9 million as compared to as at 31 December 2021. Such increase in total borrowings resulted in an increase of its gearing ratio from approximately 73.6% as at 31 December 2021 to approximately 76.9% as at 31 December 2022.

As at 30 June 2023, the Group had current assets of approximately HK\$2,655.5 million, and current liabilities of approximately HK\$2,393.0 million, representing net current assets of approximately HK\$262.6 million. The Group recorded net assets of approximately HK\$1,974.2 million as at 30 June 2023, representing a decrease of approximately 5.7% or approximately HK\$118.6 million as compared to as at 31 December 2022. This was mainly attributable to an increase in the total borrowings (including current and non-current portions) from approximately HK\$5,234.7 million as at 31 December 2022 to approximately HK\$5,988.3 million as at 30 June 2023.

The Group's total borrowings amounted to approximately HK\$5,988.3 million as at 30 June 2023, representing an increase of approximately 14.4% or approximately HK\$753.7 million as compared to as at 31 December 2022. Such increase in total borrowings resulted in an increase of its gearing ratio from approximately 76.9% as at 31 December 2022 to approximately 79.5% as at 30 June 2023.

2. Background information of Sino Rock Tyco

Sino Rock Tyco is a company established in the PRC in 2017 with limited liability. As at the Latest Practicable Date, Sino Rock Tyco has a fully paid-up registered capital of RMB910,000,000 and is owned as to 72% by the Vendor (a wholly-owned subsidiary of the Company) and 28% by Guangdong Nanhai Industry. Guangdong Nanhai Industry is held as to 90% by the State-owned Assets Supervision and Administration Bureau of Nanhai District, Foshan City* (佛山市南海區國有資產監督管理局) and 10% by Department of Finance of Guangdong Province, both of which are also the ultimate beneficial owners of the Purchaser.

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Sino Rock Tyco is principally engaged in the investment and development and construction of the Industrial Park in Danzao Town, Nanhai District, Foshan, the PRC. Sino Rock Tyco entered the land use right lease agreements mainly in 2018 and 2019, pursuant to which the unencumbered land use right for the total site area of approximately 916,000 square metres in Danzao Town have been leased to Sino Rock Tyco for terms ranging from approximately 32 to 34 years for the construction and operation of the Industrial Park. The Industrial Park includes production plants, pilot plants, a research and development hub and related supporting facilities. As at the date of the Latest Practicable Date, Phase 1 and Phase 2 of the Industrial Park have been completed, and the production plants and the pilot plants have been put into operation with a leasable area of approximately 186,000 square metres and 113,000 square metres respectively. Sino Rock Tyco also completed the construction of Dan Qing Garden rental housing project of approximately 102,000 square metres in the first half of year 2023. The Group mainly operates the Industrial Park for generating leasing income. In addition, Sino Rock Tyco acquired the properties of Xianhuwan Commercial Plaza in Danzao Town with a gross floor area of approximately 29,000 square metres which have been rented out for use as offices, exhibition hall, hotel accommodation and catering centre.

Set out below is a summary of the consolidated financial information of Sino Rock Tyco for (i) FY2021 and FY2022; and (ii) 1H2022 and 1H2023:

	FY2021	FY2022	1H2022	1H2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	31,093	82,555	40,390	48,047
Gross profit	8,284	34,144	20,141	23,420
Net profit before taxation	13,287	42,456	26,730	13,371
Net profit after taxation	11,379	38,094	22,672	13,305

The revenue of Sino Rock Tyco for FY2022 amounted to approximately HK\$82.6 million, representing an increase of approximately HK\$51.5 million compared to the amount of approximately HK\$31.1 million recorded in FY2021, mainly attributable to the recognition of rental income from the Industrial Park following the completion of the construction, delivery and operation of the Phase 1 and 2 of the Industrial Park. The net profit after taxation of Sino Rock Tyco for FY2022 amounted to approximately HK\$38.1 million, representing an increase of approximately HK\$26.7 million compared to the amount of approximately HK\$11.4 million recorded in FY2021, which was in line with the increase in the revenue for FY2022 and mainly as a result of the recognition of government subsidies of approximately HK\$92.2 million, partially offset by the finance costs of approximately HK\$79.0 million.

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The revenue of Sino Rock Tyco for 1H2023 amounted to approximately HK\$48.0 million, representing an increase of approximately HK\$7.6 million compared to the amount of approximately HK\$40.4 million recorded in 1H2022, mainly attributable to the continuous increase in rental income following the completion of the construction, delivery and operation of the Phase 1 and 2 of the Industrial Park in 2022. The net profit after taxation of Sino Rock Tyco for 1H2023 amounted to approximately HK\$13.3 million, representing a decrease of approximately HK\$9.4 million compared to the amount of approximately HK\$22.7 million recorded in 1H2022, mainly attributable to the decrease in other operating income by approximately HK\$8.8 million.

According to the audited report of Sino Rock Tyco for FY2021 and 31 December 2022 and the unaudited report of Sino Rock Tyco for 1H2023, we set out below certain financial information of Sino Rock Tyco during the period:

	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Non-current assets	2,466,714	2,831,902	2,287,344
Current assets	<u>540,558</u>	<u>380,228</u>	<u>787,381</u>
Total assets	3,007,272	3,212,130	3,074,725
Non-current liabilities	1,750,797	1,996,884	1,902,903
Current liabilities	<u>94,024</u>	<u>106,513</u>	<u>100,689</u>
Total liabilities	1,844,821	2,103,397	2,003,592
Net current assets	446,534	273,715	686,692
Net assets	1,162,451	1,108,733	1,071,133
Borrowings:			
Current portion	5,390	16,219	17,104
Non-current portion	<u>462,999</u>	<u>771,650</u>	<u>780,324</u>
Total borrowings	<u>468,389</u>	<u>787,869</u>	<u>797,428</u>

The assets of Sino Rock Tyco mainly include investment properties, property, plant and equipment, right-of-use assets and cash and bank balances. The liabilities of Sino Rock Tyco mainly include lease liabilities, borrowings and trade and other receivables.

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As at 31 December 2022, Sino Rock Tyco had current assets of approximately HK\$380.2 million, and current liabilities of approximately HK\$106.5 million, representing net current assets of approximately HK\$273.7 million. Sino Rock Tyco recorded net assets of approximately HK\$1,108.7 million as at 31 December 2022, representing a decrease of approximately 4.6% or approximately HK\$53.7 million as compared to that as at 31 December 2021. This was mainly attributable to other comprehensive expenses for exchange differences arising on translation of foreign operations of approximately HK\$48.9 million and share of exchange differences of an associate of approximately HK\$42.9 million for FY2022.

As at 30 June 2023, Sino Rock Tyco had current assets of approximately HK\$787.4 million, and current liabilities of approximately HK\$100.7 million, representing net current assets of approximately HK\$686.7 million. Sino Rock Tyco recorded net assets of approximately HK\$1,071.1 million as at 30 June 2023, representing a decrease of approximately 3.4% or approximately HK\$37.6 million as compared to as at 31 December 2022. This was mainly attributable to other comprehensive expenses for exchange differences arising on translation of foreign operations of approximately HK\$51.4 million for 1H2023.

3. Reasons for and benefits of the Disposal and intended use of proceeds

With reference to the Letter from the Board, as some of Sino Rock Tyco Group's property assets have depreciated in the past two years and the prevailing negative sentiment and systemic risks permeating the property market showing no sign of subsiding in the near future, the Disposal should be a good opportunity for the Group to effectively eliminate the possible continued depreciation of the future value of such properties and realise its investment. According to data released by the National Bureau of Statistics of the PRC in November 2023, from January 2023 to October 2023, profits of industrial enterprises above a certain scale in the country declined by 7.8% year-on-year, with a decrease of 9% in the first nine months. This indicates that the general downward trend of the profitability of industrial enterprises in the PRC.

As stated in the 2023 Interim Report, the Group's bank balances as at 30 June 2023, were relatively low, with an amount of approximately HK\$1,300.3 million, compared to the amount of interest-bearing loans (including borrowings and convertible notes) of approximately HK\$5,988.3 million. The Group's gearing ratio rose from approximately 73.6% as at 31 December 2021 to approximately 79.5% as at 30 June 2023, indicating an upward trend over the past two years. Moreover, the Group had obtained a bank loan of US\$90.0 million (equivalent to approximately HK\$702.0 million) (the "US Loan") in the past few years to support the development of Sino Rock Tyco. The US Loan carries a fixed interest rate of 3.55% and is set to mature in the first quarter of 2024. However, due to the recent interest rate hikes in the United States, the 1-year Hong Kong Interbank Offered Rate (HIBOR) reached approximately 5.3% as of the Latest Practicable Date. According to the management of the Company, if the Group decides to extend the US Loan, its financing cost will increase significantly due to higher interest rate. Given that a portion of the proceeds will be used to repay the US Loan, the Disposal will alleviate the Group's unfavorable financial situation and improve its gearing ratio during the high interest rate environment.

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We further understand from the management of the Company regarding the commencement of construction for Phase 3 and Phase 4 of the Industrial Park, which has begun in 2023, with an estimated total investment of approximately RMB400 million (equivalent to approximately HK\$437.6 million) for the completion of Phase 3 and Phase 4. The project will occupy an area of 280 acres, and the building area is expected to be around 140,000 square meters. The construction of Phase 3 and 4 will be carried out in stages, with the final completion targeted for 2024. As at 30 September 2023, the capital commitment for Phase 3 and Phase 4 amounted up to approximately RMB343.5 million (equivalent to approximately HK\$375.8 million). Considering that the occupancy rate of the leasable units for Phase 1 and Phase 2 in the Industrial Park was only approximately 68% as at 30 September 2023 and the rental demand for the industrial buildings in Phase 3 and Phase 4 is uncertain, further development of the Industrial Park may pose additional investment risk to the Group.

With reference to the consolidated financial information of Sino Rock Tyco as set out in the section headed “Background information of Sino Rock Tyco” in this letter, Sino Rock Tyco experienced revenue growth in FY2022 and 1H2023, which fully reflected the rental income from the Industrial Park after the completion of construction of Phase 1 and Phase 2. In FY2022 and 1H2023, Sino Rock Tyco achieved net profits of approximately HK\$38.1 million and HK\$13.3 million respectively. However, it is important to note that the profitability of Sino Rock Tyco materially relied on government subsidies provided by the Government of Nanhai District in Foshan city for the construction of the Industrial Park and related facilities. These government subsidies amounted to approximately HK\$92.2 million and HK\$41.2 million for FY2022 and 1H2023 respectively, accounting for approximately 111.5% and 85.3% of its revenue for the corresponding periods. Additionally, due to the reliance on debt financing for the construction of the Industrial Park, Sino Rock Tyco faced significant financial costs. In FY2022 and 1H2023, Sino Rock Tyco incurred finance costs of approximately HK\$79.0 million and HK\$40.1 million respectively. Considering the non-recurring nature of the government subsidies, Sino Rock Tyco would report a net loss for FY2022 and 1H2023 after excluding the government subsidies from its financial statements.

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As stated in the Letter from the Board, the Group intends to streamline its business and the Disposal is a part of such strategic positioning measures by the Group. On the other hand, the wellness elderly care business is full of investment and development potential. In the past two years, the Group has successfully integrated and operated most of the public elderly care institutions in the Nanhai District. However, problems exist such as outdated facilities, low-quality hardware and weak marketization management capabilities of these institutions. Although the profitability of the wellness elderly care business of the Group is not strong at this early incubation stage, through facilities upgrading to improve business service capabilities, the scale and quality of the wellness elderly care business will be expanded and upgraded, and its profitability will improve gradually. According to the consolidated financial results of the Group as set out in the section headed “Background information of the Group” in this letter, the revenue of the wellness elderly care business segment experienced notable growth, with an increase of approximately 57.5% during FY2022 and 42.1% in 1H2023. Moreover, according to data released by the National Bureau of Statistics in February 2023, in 2022, the population of elderly individuals aged 65 and above in the PRC reached approximately 210 million, accounting for approximately 14.8% of the total population. This represents a notable increase compared to 2013 when the number of elderly people aged 65 and above was approximately 132 million, accounting for approximately 9.7% of the total population. As the trend of population aging continues to rise, the need for elderly care services has become increasingly important. Hence, the Company believes the financial performance, including the profitability, of this segment is expected to experience further growth in the future and intends to focus more of its resources in the wellness elderly care business.

The Directors further consider that the proceeds from the Disposal can provide immediately available funds to satisfy the Group’s capital needs, therefore enhancing the Group’s liquidity and financial position and reducing the gearing ratio of the Group to enable it to seek banking facilities with more favourable terms for future business development. The current liabilities of the Company as at 31 October 2023 amounted to approximately HK\$703.5 million. The Company intends to apply the net proceeds from the Disposal, which is estimated to be approximately RMB938 million (equivalent to approximately HK\$1,026 million) (after deducting transaction costs and expenses), as to (i) RMB272 million (equivalent to approximately HK\$298 million) for repayment of loan due from the Company and its other subsidiaries to Sino Rock Tyco Group; (ii) US\$90 million (equivalent to approximately HK\$702 million) for repayment of the US Loan; and (iii) approximately HK\$26 million for the Group’s general working capital purpose.

Based on above, in particular, (i) the uncertainty of property development and investment market in the future; (ii) the expected improvement in financial condition by reducing the borrowings and gearing ratio of the Group; and (iii) the allocation of resources to the Group’s core business, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

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4. Principal terms of the Disposal Agreement

Set out below is a summary of the principal terms of the Disposal Agreement. Shareholders are advised to read further details of the Disposal Agreement set out in the Letter from the Board:

Date:	6 December 2023
Parties:	(1) the Vendor (a wholly-owned subsidiary of the Company) (2) the Purchaser
Asset to be disposed of:	The Sale Interest, representing 72% equity interest in Sino Rock Tyco, is proposed to be disposed of by the Vendor to the Purchaser pursuant to the Disposal Agreement.
Consideration and payment terms:	The Consideration for the Disposal is RMB972 million (equivalent to approximately HK\$1,063 million), which shall be paid by the Purchaser to the Vendor in one lump sum, after payment of the income tax by the Purchaser on behalf of the Vendor in connection with the Disposal, within 10 Business Days following the Completion Date.
Arrangement on government subsidies:	The Government of Nanhai District in Foshan shall provide Sino Rock Tyco Group with government subsidies in the total amount of RMB600 million for its construction of the Industrial Park and ancillary facilities (the “ Subsidies ”). The Subsidies entitlement period is from 2018 to 2026. As of the Benchmark Date, Sino Rock Tyco and its wholly-owned subsidiary Foshan City Xianhuwan Development Co., Ltd.* (佛山市仙湖灣置業有限公司) have received a portion of the Subsidies in the amount of approximately RMB419 million (comprising approximately RMB408 million of subsidies actually received and accounted for and approximately RMB11 million representing a portion of the Paid Subsidies) and the remaining portion of the Subsidies (represent the before tax and before discount value of the Unpaid Subsidies) in the amount of approximately RMB181 million (the “ Remaining Subsidies ”) are expected to be received in batches from 2023 to 2027 subsequent to completion of the Disposal.

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However, if any amount of the Remaining Subsidies has not been collected as at 1 January 2028, the Vendor shall pay the after-tax value of the uncollected Remaining Subsidies to the Purchaser according to the corresponding proportion of the Purchaser's equity interest in Sino Rock Tyco within 20 Business Days from 1 January 2028 (the "**Paid Amount**"). If Sino Rock Tyco subsequently collected any receivable Remaining Subsidies, the Purchaser shall, within 20 Business Days upon Sino Rock Tyco's receipt of any amount of the Remaining Subsidies, return the corresponding proportion of the Paid Amount to the Vendor.

Late payment: If the Purchaser fails to pay the Consideration in respect of the Disposal to the Vendor in full and on time pursuant to the Disposal Agreement, a penalty of 0.015% of the outstanding amount payables shall be paid by the Purchaser to the Vendor on daily basis for default.

5. Basis of the Consideration

The Consideration is approximately RMB972 million (equivalent to approximately HK\$1,063 million), which shall be paid by the Purchaser to the Vendor in one lump sum after deducting the income tax payable by the Vendor in connection with the Disposal within 10 Business Days following the Completion Date.

The Consideration was arrived at after arm's length negotiations between the parties and has taken into account (i) the unaudited consolidated net assets value of Sino Rock Tyco Group attributable to the Sale Interest as of 30 June 2023; (ii) the property valuation (the "**Valuation**") of Sino Rock Tyco Group as at 30 September 2023 based on the Valuation Report issued by the Independent Valuer; and (iii) adjusting for (a) the amount of government subsidies of Sino Rock Tyco and its wholly-owned subsidiary Foshan City Xianhuwan Development Co., Ltd.* (佛山市仙湖灣置業有限公司)(the "**Subsidies**") (as if the Subsidies were collected in full on the date of the Disposal Agreement) attributable to the Sale Interest after adjusting for tax and loss in interest earnings that would have accrued in respect of such Subsidies to Sino Rock Tyco Group; and (b) construction expense payables that have not been reflected in the property appraisal value as illustrated below:

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	<i>HK\$('000)</i>
Unaudited consolidated net assets value of Sino Rock Tyco Group as of 30 June 2023	1,071,133
<i>Add: Valuation of the Properties</i> ^{Note 1}	2,439,734
<i>Add: After-tax discounted value of the Remaining Subsidiaries</i> ^{Note 2}	138,014
<i>Add: Deferred income in relation to government subsidies</i> ^{Note 3}	168,868
<i>Less: Carrying amount of the Properties as at 30 September 2023</i>	(2,287,344)
<i>Less: Construction expense payables</i> ^{Note 4}	<u>(69,196)</u>
 Adjusted net asset value of Sino Rock Tyco Group	 <u>1,461,209</u>
 72% of the adjusted net asset value of Sino Rock Tyco Group (the “Adjusted NAV”)	 <u>1,052,070</u>
 Consideration ^{Note 1}	 <u><u>1,063,368</u></u>
 Premium of the Consideration over the Adjusted NAV	 11,298
Premium of the Consideration over the Adjusted NAV (<i>in %</i>)	1.1%

Note:

1. The approximate amounts in HK\$, with an approximate exchange rate of RMB1 to HK\$1.094. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
2. The discounted value of the Remaining Subsidiaries owned by Sino Rock Tyco, which is determined with reference to the payment schedule of the Remaining Subsidiaries as agreed between Sino Rock Tyco and relevant government authority and discounted by a discount rate of 4.2% per annum. The selection of the discount rate is mainly with reference to the 5-year loan prime rate set by the People’s Bank of China up to the date of the Disposal Agreement. As at the date of the Disposal Agreement, the amount of the Remaining Subsidiaries was approximately RMB181.4 million (equivalent to approximately HK\$198.4 million). For details of the Remaining Subsidiaries and the relevant arrangement, please refer to the term namely “Arrangement on government subsidies” under the section headed “4. Principal terms of the Disposal Agreement” in this letter.
3. The deferred income in relation to the government subsidies which have been received by Sino Rock Tyco Group but are yet to be recognized as revenue in accordance with accounting standards.
4. The estimated construction costs are estimated costs and expenses payable to independent third parties (e.g contractors, project managers) upon completion of the projects in relation to the property interests of Sino Rock Tyco Group.

From the calculations above, given that the Consideration of RMB972 million (equivalent to approximately HK\$1,063 million) implies a considerable premium of approximately RMB11 million (equivalent to approximately HK\$12 million), or 1.1%, over the Adjusted NAV as at 30 September 2023.

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Valuation Report

According to the Valuation Report, the Properties are located in the Industrial Park in Danzao Town, Nanhai District, Foshan, the PRC, which include (i) 16 blocks of industrial buildings located in Danzao Town (“**Asset 1**”); (ii) 13 blocks of industrial buildings located in Danzao Town (“**Asset 2**”); (iii) a residential project located in Xicheng Village of Danzao Town (“**Asset 3**”); (iv) Block A to Block F of Xianhuwan Commercial Plaza (“**Asset 4**”); (v) Hydrogen Energy Exhibition Hall (“**Asset 5**”); (vi) the land use right of plot no. 5-13 in Danzao Town (“**Asset 6**”); (vii) the land use right of plot no. 18 in Danzao Town (“**Asset 7**”); (viii) a construction site located in Yinhe Village of Danzao Town (“**Asset 8**”); and (ix) a construction site located in Yinhe Village of Danzao Town (“**Asset 9**”). Set out below is the summary of the Properties and the Valuation:

Properties	Description of properties	Building area/Land area (<i>m</i> ²)	Valuation method	Market value (<i>RMB</i>)
Asset 1	Industrial building	186,209.80	Discounted cash flow method	791,775,100
Asset 2	Industrial building	113,437.24	Discounted cash flow method	448,997,100
Asset 3	Commercial building and rental housing	101,644.74	Discounted cash flow method	383,578,500
Asset 4	Commercial building	28,552.74	Replacement cost method (building portion) and Direct comparison approach (land portion)	151,372,400
Asset 5	Exhibition centre (Public welfare)	– –		–
Asset 6	Land use rights (Industrial)	339,839.30	Discounted cash flow method	336,690,600
Asset 7	Land use rights (Industrial)	97,742.40	Discounted cash flow method	99,050,900
Asset 8	Construction-in- progress (Industrial)	–	Replacement cost method	15,137,400
Asset 9	Construction-in- progress (Industrial)	–	Replacement cost method	3,502,000
				2,230,104,000

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(i) *The Independent Valuer*

We have performed the works with reference to Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) assessment of the Independent Valuer's experiences in valuing assets similar to the Properties; (ii) obtaining information on the Independent Valuer's track records on other assets valuations; (iii) inquiry on the Independent Valuer's current and prior relationship with the Group and its connected parties; (iv) review of the terms of the Independent Valuer's engagement, in particular its scope of work, for the assessment of the Valuation Report; and (v) discussion with the Independent Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

For our due diligence process, we have conducted a telephone interview with the Independent Valuer to enquire its experience in valuing similar assets. We noted that the Independent Valuer had acted as the valuer for public companies listed in Hong Kong for similar transactions. In addition, we understand that the signor of the Valuation Report, namely Mr. Hu Dongquan, is a chartered member of Royal Institute of Chartered Surveyors (MRICS), PRC Real Estate Appraiser, PRC Land Appraiser and PRC Asset Appraiser. He has over 26 years' experience in valuation industry. As such, we are of the view that the Independent Valuer is qualified, experienced and competent in performing the Valuation.

We have also enquired with the Independent Valuer as to its independence from the Company and the parties and were given to understand that the Independent Valuer is an independent third party of the Company and its connected persons. The Independent Valuer confirmed to us that it was not aware of any relationship or interest between itself and the Company or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. Apart from normal professional fees payable to it in connection with its engagement for the Valuation, the Independent Valuer confirmed that no arrangements exist whereby it will receive any fee or benefit from the Company and its associates. Given the above, we are of the view that the Independent Valuer is independent from the Company in respect of the Valuation.

Furthermore, we have reviewed the terms of engagement of the Independent Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report. We have also performed work as required under Note (1)(d) to the Listing Rules 13.80 in relation to the Independent Valuer and its work as regards the Valuation.

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(ii) Valuation basis

As stated in the Valuation Report, the Valuation is conducted in compliance with the International Valuation Standards. Based on our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions used in arriving at the Valuation. We understand that the Independent Valuer has carried out inspections, made relevant enquiries and searches for the purpose of the Valuation, including but not limited to review on relevant land certificates, legal documents and leasing agreements, searches on the market rental with similar condition at the vicinity of each of the Properties and the land transaction records. We have reviewed and discussed with the Independent Valuer the basis adopted in arriving at the value of the Properties.

(iii) Valuation methodology

As disclosed in the Valuation Report, different valuation approaches were adopted based on the nature of the Properties. Following our discussion with the Independent Valuer, Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7 were assessed by discounted cash flow method, while the building portion of Asset 4, Asset 8 and Asset 9 were assessed by replacement cost method. Furthermore, the Independent Valuer advised that Asset 5 holds a market value of zero, as it was constructed as part of a subsidy program for the Industrial Park, with control and economic benefits belonging to the local government.

According to information provided by the Group, Sino Rock Tyco Group has obtained the licensed land use rights for Asset 1, Asset 2 and Asset 3 from relevant collective land ownership holders. The land leasing agreements were established between 2018 and 2019, and the term of lease ranged from around 32 to 34 years. The construction of Asset 1, Asset 2 and Asset 3 has been completed. Asset 1 and Asset 2 have been partially leased, while Asset 3 has not yet been leased as at the date of the Valuation. Considering the fixed lease period established in the collective land leasing agreements, along with the predictable and foreseeable rental income derived from the building leasing agreements with tenants, the Independent Valuer determined that discounted cash flow method would be the most appropriate method to value Asset 1, Asset 2 and Asset 3. The Independent Valuer advised that direct comparison method and replacement cost method were not applicable in valuing Asset 1, Asset 2 and Asset 3, as Sino Rock Tyco Group neither possesses the ownership nor has the authority to dispose of the relevant land use rights.

Asset 4 consists of six blocks of building and the associated land use right. The building portion of Asset 4 was assessed by replacement cost method while the land portion of Asset 4 was assessed by direct comparison method. The land use right value was taken into account when estimating the land cost. According to the Valuation Report, the remaining useful life with reference to the land use rights is approximately 21 years. Based on our discussion with the Independent Valuer, we understand that the extension of the land use right term is contingent upon negotiations with the relevant government department. Replacement cost

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method involves estimating the new replacement cost of the buildings and structures and deducted by the remaining useful life, condition, functional obsolescence, etc. As advised by the Independent Valuer, there are insufficient market transactions or leasing transactions of similar building in the same area for comparison, thus it is not appropriate to use direct comparison method for assessment of the valuation of the building portion of Asset 4. Considering the restricted remaining useful life of the land use right and the uncertainty for the land use right renewal, the Independent Valuer considered that discounted cash flow method is not appropriate in assessing the valuation of Asset 4 for both the building portion and land portion.

Asset 6 and Asset 7 are the land use rights for the pieces of land in Danzao Town which are under development as at the date of the Valuation. Similar to Asset 1, Asset 2 and Asset 3, Sino Rock Tyco Group obtained the licensed land use rights for Asset 6 and Asset 7 for a lease term for approximately 33 years. As at the date of the Valuation, the construction of Asset 6 and Asset 7 is still ongoing. Considering the fixed lease period established in the collective land leasing agreements and the rental payments from Sino Rock Tyco are certain pursuant to the land leasing agreements, the Independent Valuer determined that discounted cash flow method would be the most appropriate method to assess the valuation of Asset 6 and Asset 7. The Independent Valuer advised that direct comparison method and replacement cost method were not applicable in valuing Asset 6 and Asset 7, as the Sino Rock Tyco Group neither possesses the ownership nor have the authority to dispose of the relevant land use rights.

As at the date of the Valuation, Asset 8 and Asset 9 are still under construction and classified as construction in progress. These assets are expected to consist of multiple blocks of industrial buildings once the construction is completed. Due to the preliminary stage of development, the Independent Valuer determined that the most appropriate method for valuing Asset 8 and Asset 9 is replacement cost method. The Independent Valuer further advised that market transactions involving similar projects which were under-construction were rare, therefore direct comparison method is not appropriate under this circumstance. Additionally, due to high level of uncertainty of future income and costs associated with projects in the early development stage, discounted cash flow method is also not appropriate for valuing Asset 8 and Asset 9.

The Independent Valuer has confirmed that the above selected valuation approach for each of the Properties are commonly adopted in the valuation of similar assets. Based on above, we are of the view that the Independent Valuer has adopted the appropriate valuation approach for each of the Properties taking into account their nature and availability of comparable transactions, we consider that the valuation approach adopted by the Independent Valuer is fair and reasonable.

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However, as mentioned above, we find that the cost approach and direct comparison method are not suitable for evaluating Asset 1, Asset 2, Asset 3, Asset 6, and Asset 7. This is due to Sino Rock Tyco's limited right to lease these properties rather than having the right to dispose them, as well as the absence of comparable transactions with limited right to lease in the market. Therefore, using the cost approach and direct comparison method to assess the valuation of these properties would not yield meaningful results. On the other hand, the Independent Valuer considered that the discounted cash flow method is suitable for evaluating Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7, mainly taking into account their remaining years of land use rights and information available from the Group and public sources for the Independent Valuer to assess their valuation by discounted cash flow method, including but not limited to land leasing agreements entered into with landlords, building leasing agreements entered into with tenants, relevant market comparable rental transactions and historical costs associated with the Group's property investments. Thus, we are of the view that the discounted cash flow method is appropriate in assessing the valuation of Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7.

Regarding the land portion of Asset 4, we note that the discounted cash flow method is not appropriate because the land is intended for construction purposes rather than rental purposes, whereas the cost approach for land valuation is generally applicable when the local government acquires and reallocates non-state-owned land through demolition and clearance. We understand from the Independent Valuer that the cost of acquiring non-state-owned land through this method does not reflect the market value of commercial or service land. Therefore, using the discounted cash flow method and cost approach for assessing the valuation of the land portion of Asset 4 would not lead to a meaningful result. Besides, the Independent Valuer considered that direct comparison method is appropriate in evaluating the land portion of Asset 4, mainly taking into account the sufficient comparable sale data of land transactions that could be identified in the public source of information to facilitate a meaningful comparison and to form a reliable opinion of the fair value of Asset 4. Thus, we are of the view that the direct comparison method is appropriate in assessing the valuation of the land portion of Asset 4.

As for the building portion of Asset 4, Asset 8 and Asset 9, as previously mentioned, there is a lack of market transactions involving similar buildings in the same area for comparison. Additionally, there are restrictions on the remaining useful life of the land use right, uncertainties regarding the renewal of the land use right for the building portion of Asset 4, and a high degree of uncertainty regarding future income from Asset 8 and Asset 9. Consequently, it is not appropriate to use the direct comparison method and discounted cash flow method to assess the valuation of the building portion of Asset 4, Asset 8 and Asset 9. On the other hand, as for the building portion of Asset 4, given the sufficient comparable sale data for assessing the value of the land portion of Asset 4, along with the estimation of construction costs specifically associated with the building portion, we agree with the Independent Valuer that the replacement cost method is suitable for evaluating the building portion of Asset 4. Regarding Asset 8 and Asset 9, based on our further discussion with the

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Independent Valuer, we understand that below factors have been taken into consideration, mainly including (i) Asset 8 and Asset 9 are under construction and classified as construction in progress; (ii) their future income relies on long-term financial forecasts which cover the construction period and post construction period; and (iii) insufficient number of comparable transactions of construction in progress transactions in the market, Thus, we are of the view that the replacement cost method is appropriate for valuing Asset 8 and Asset 9.

Based on the above considerations, we have not cross-checked the valuation results using alternative methods. However, during our due diligence process, we conducted independent research which involved searching for comparable transactions, reviewing relevant documents for preparation of the Valuation and examining the parameters used in the Valuation, and we have evaluated the methodologies and assumptions utilized in the Valuation Report. Based on our discussion with and understanding from the Independent Valuer, the valuation methodologies have been consistent and complied with all the requirements pursuant to, among others, the International Valuation Standards published by the International Valuation Standards Council. On such basis, we concur with the Independent Valuer's view that the valuation methodologies adopted by the Independent Valuer is a common approach and normal market practice in the Independent Valuer's profession for determining the market value of properties in the PRC given the nature of the Properties, and that the underlying basis for valuation of the Properties is fair and reasonable.

(iv) Review of the Valuation Report

Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7

The appraised value for Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7 is determined using discounted cash flow method.

We have reviewed and discussed with the Independent Valuer in respect of the major assumptions applied in the valuation of abovementioned property assets. Details of the valuation assumptions are set out in the Appendix I of this Circular. Since the land use right of Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7 were leased under the respective land use rights leasing agreements entered between the relevant landlords and Sino Rock Tyco, the profit and cash flow forecast underlying the valuation have been built under an important assumption that the asset life is equal to the respective lease period without further extension.

Based on our discussion with the Independent Valuer and our review of the profit and cash flow forecast of Asset 1, Asset 2 and Asset 3, we understand that (i) the projected unit price of rental fee income for Asset 1 and Asset 2 for the period 1 October 2023 to 31 December 2023 is directly derived from the average unit price of the existing lease agreement entered between Sino Rock Tyco and the existing customers; (ii) the projected unit price of rental fee income for Asset 3 for the period from 1 October 2023 to 31 December 2023 is estimated based on the market unit price for the

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similar properties at the vicinity of Asset 3; (iii) the unit price of rental fee income following 1 January 2024 has adopted an annual growth rate of 3% with reference to the leasing agreements entered into between Sino Rock Tyco and its tenants, pursuant to which the rental fee has been agreed to increase by 10% for next three years; and (iv) the projected costs of Asset 1, Asset 2 and Asset 3 are primarily based on the historical costs or made reference to the historical cost of Sino Rock Tyco's similar properties and the annual growth rate of 3% consistent with the growth rate of the unit price of rental fee income. For Asset 6 and Asset 7, since the construction on the land of Asset 6 and Asset 7 are still in progress, the future rental income derived from Asset 6 and Asset 7 cannot be determined. Therefore, the Independent Valuer has utilized the discounted value of the rental costs related to the land use rights leasing agreement as a basis for valuing Asset 6 and Asset 7.

Regarding the above assumptions used in the profit and cash flow forecast, we (i) have cross-checked and compared the projected unit price of rental fee income for Asset 1 and Asset 2 and the average unit price of the existing lease agreement entered between Sino Rock Tyco and the existing tenants; (ii) reviewed the comparables selected by the Independence Valuer for the determination of Asset 3's unit price of rental fee income; (iii) compared the projected cost against the historical cost; (iv) reviewed the annual growth rate of unit price of rental fee income; and (v) discussed with the management of the Company for the future prospect of Asset 1, Asset 2 and Asset 3 and the relevant lease out ratio. Based on our review and discussion, we noted that (i) projected unit price of rental fee income for Asset 1 and Asset 2 is consistent with the rate as stipulated in the building leasing agreements with its tenants; (ii) the projected cost is reference to relevant historical cost of operating the investment properties of Sino Rock Tyco; (iii) the annual growth rate of the rental fee unit price was made with reference to the term in relation to the rental fee in the leasing agreements entered into between Sino Rock Tyco and its tenants; and (iv) the long-term lease out ratio adopted upon completion of relevant construction and available for lease in the forecast ranges from approximately 80% to 90% which has been estimated with reference to the average occupancy rate of comparable industrial parks in Guangdong Province. Regarding Asset 2 and Asset 3, their respective occupancy rates as at the date of the Valuation were 38% and 0%. According to the Valuation Report, it was considered that Asset 2 is expected to reach an occupancy rate of 40% by the end of 2023, 75% by 2024, 85% by 2025, and 90% by 2026, continuing to maintain at 90% in subsequent years of its forecast period. Similarly, for Asset 3, it was anticipated to achieve an occupancy rate of 25% by the end of 2023, 65% by 2024, 80% by 2025, and 90% by 2026, continuing to maintain at 90% in subsequent years of its forecast period. As stated in the Valuation Report, the title registration process for Asset 3 was still pending at the date of the Valuation, which means that the property could not be rented out until the registration is completed. Based on above, the Independent Valuer has taken into account the historical occupancy rate of Asset 1, where Asset 1 has reached

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approximately 8% by the end of 2020, 90% by the end of 2021, 93% by the end of 2022. Accordingly, the Independent Valuer has taken reference above, in particular (i) the achievement of the occupancy rate of 90% for Asset 1 in the second year; and (ii) Asset 1 maintained a high level of occupancy rate in the following period. Therefore, the Independent Valuer assumed a similar progressive pattern on the occupancy rate of Asset 2 and Asset 3 and forecast their occupancy rate would gradually reach approximately 90% by 2026 and maintain at 90% in subsequent years of their forecast period. Moreover, we referred to the list of occupancy rate of other industrial parks located in Guangdong Province provided by the Independent Valuer and observed that their occupancy rate generally reached 90% or above. Considering (i) the historical reference of occupancy rate of Asset 1; (ii) Asset 1, Asset 2 and Asset 3 are both located in the Industrial Park; and (iii) the market data of occupancy rate of industrial parks in Guangdong Province, we consider that the assumption of a progressive occupancy rate pattern during the forecast period of the assessment of Asset 2 and Asset 3 is fair and reasonable.

Regarding the comparable transactions for the determination of Asset 3's unit price of rental fee income, we obtained the list of comparable transactions from the Independent Valuer which stated the respective location, size and transaction date. We also noted that the Independent Valuer has made relevant adjustments including location, site area, transaction situation and condition to take into account the differences between the comparable transactions and Asset 3. In determining the unit rental value of Asset 3, the Independent Valuer calculated the average of the adjusted rental values from three comparable transactions, while the estimated rental value falls within the range of rental values observed in those comparable transactions. After reviewing the available information and conducting market research and analysis, the Independent Valuer has confirmed that the selected comparable transactions in the Valuation Report meet the required selection criteria. These comparable transactions are considered representative within Danzao Town and adjacent areas. We, on our best effort basis, have also independently ascertained the relevant public websites regarding property transactions in Danzao Town, Nanhai District, Foshan City, Guangdong Province, the PRC where the comparable transactions were researched by the Independent Valuer, and noted that these comparable transactions were comparable to Asset 3 and the average rental rate of these comparable transactions was generally in line with the rental rate adopted in the valuation of Asset 3. We have not identified any anomalies in the Independent Valuer's findings and consider that the selected comparable transactions represent a list of transactions that fulfill the selection criteria. Therefore, we consider the selection criteria of these comparable transactions and the rental rate adopted in the valuation of Asset 3 to be fair and representative, providing a reliable basis for the valuation of Asset 3.

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The discount rate of 5% has been adopted in the valuation of Asset 1, Asset 2, Asset 3, Asset 6 and Asset 7. We understand from the Independent Valuer that the discount rate is based on the average land yield rate for collective industrial construction land in Nanhai District according to an official notice letter published by the Foshan Municipal Government. We have obtained the notice letter and noted that the discount rate adopted in the Valuation is consistent with the said average land yield rate as stated in the notice letter.

Asset 4, Asset 8 and Asset 9

The appraised value for Asset 4, Asset 8 and Asset 9 is determined using replacement cost method.

The appraised value of the building portion of Asset 4 is determined by assessing the cost required to replace or reproduce the existing buildings and structures as at the date of the Valuation. As part of our assessment, we obtained the details of the valuation process for the buildings and structures and found that the construction costs were utilized to determine their value. The Independent Valuer considered various factors, including land cost, gross floor area, estimated construction costs per square meter, relevant professional fees, construction period, and finance costs, in arriving at the appraised value of the building portion of Asset 4. We discussed these major factors with the Independent Valuer and noted that they are commonly used parameters when applying replacement cost method to appraise the value of a building and structure. In this regard, we have (i) reviewed the relevant source of information and calculations; (ii) discussed with the Independent Valuer the basis and assumptions of the major factors considered; and (iii) noted that (a) the estimated construction costs per square metre for industrial and office buildings and structures in Guangdong Province were determined with reference to official data published by the relevant government department; and (b) the finance cost adopted is consistent with the 1-year loan prime rate in the PRC as at the date of the Valuation.

On the other hand, in assessing the market value of the land portion of Asset 4 which has been included as land costs under the valuation of Asset 4, the Independent Valuer considered to adopt direct comparison method. As advised by the Independent Valuer, they considered there to be sufficient representative comparable transactions to conduct the valuation by adopting direct comparison method. According to the Valuation Report, the Independent Valuer has made reference to recent comparable land transactions (the “**Land Comparables**”) in the subject and nearby development to value the land portion of Asset 4. The selection criteria for the Land Comparables were, among others, (i) the land usage of the comparables was for commercial use; (ii) the transaction was conducted through transfer of rights of use; (iii) the subject land is located in Foshan city; and (iv) the transaction took place within three years from the date of the Valuation. In this connection, we obtained details of the Land

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Comparables used for the valuation, such as, the respective location, size, land use and agreement date. We, on our best effort basis, have also independently ascertained the source of the Land Comparables which were with reference to land transfer transactions published on the government website (www.landchina.com). It is a public website which disclosed land transactions in Foshan City, Guangdong Province, the PRC where the Independent Valuer obtained information of the Land Comparables. Upon our review, we have observed that the Land Comparables identified by the Independent Valuer occurred within two years from the date of the Valuation, whereas the properties of the Land Comparables are designated for commercial development and situated in Foshan City, which are comparable to the land portion of Asset 4. We also understand from the Independent Valuer that the consideration of the Land Comparables (having considered the adjustments to the price per square metre with reference to factors mainly including time, location and length of land use right) were used to arrive the price per square metre of the land. We have reviewed these adjustments to the price per square metre and discussed with the Independent Valuer about the rationale and methodology for the adjustments. We found that the adjustments to value the price per square meter of the land are in line with the different characteristics among the land portion of Asset 4 and the Land Comparables and hence, consider them reasonable in deriving the valuation of the land portion of Asset 4. Taking into consideration that (i) the Land Comparables were selected based on the criteria set out above which the location, land use rights, the usage of land, land transaction, date and time of the Land Comparables are similar to Asset 4; (ii) the source of the Land Comparables; and (iii) the reasonableness of the adjustments, we concur with the Independent Valuer that the Land Comparables used for the adoption of direct comparison method are fair and reasonable.

As at the date of the Valuation, Asset 8 and Asset 9 are still in the early stage of development, and construction has not yet commenced. As discussed with the Independent Valuer, we understand that the valuation of Asset 8 and Asset 9 was based on their historical costs, primarily comprising professional fees related to design and surveying. Moreover, the Independent Valuer considered given the relatively close period between the recognized date of the relevant historical costs and the date of the Valuation, there is no requirement for adjustments to be made regarding the price level in the historical costs.

We have reviewed the underlying calculation and the historical costs of Asset 8 and Asset 9. From our review of the underlying calculation, we note that (i) the historical costs which were incurred prior to 2023 are based on the audited accounting records of Sino Rock Tyco; and (ii) the historical costs which were incurred during 2023 are based on the management accounts of Sino Rock Tyco. Based on our further checking on the historical costs, we observed that they are consistent with the relevant figures in both the audited accounting records and management accounts of Sino Rock Tyco.

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Conclusion

Given that (i) the methodology, basis and assumptions adopted by the Independent Valuer in determining the market value of the Properties are appropriate; (ii) the Consideration is made with reference to the Valuation which was fairly and reasonably determined by the Independent Valuer; (iii) the Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the unaudited consolidated net book assets value of Sino Rock Tyco Group attributable to the Sale Interest as of 30 June 2023; (iv) the Consideration of RMB972.0 million (equivalent to approximately HK\$1,063.4 million) represents a premium of approximately 1.1% over the Adjusted NAV; and (v) the reasons for and benefits of the Disposal as discussed in the section headed "3. Reasons for and benefits of the Disposal and intended use of proceeds" above, we consider that the Consideration as determined with reference to the fair market value is fair and reasonable.

6. Payment terms

Under the Disposal Agreement, the Consideration of approximately RMB972.0 million (equivalent to HK\$1,063.4 million) shall be paid by the Purchaser within 10 Business Days upon the Completion Date.

We understand from the Group that there are specific registration procedures of Sino Rock Tyco that require a certain amount of time after Completion. After arm's negotiation between the Vendor and the Purchaser, the Purchaser has a period of 10 Business Days to complete the settlement of the Consideration following Completion. Based on the legal opinion prepared by the legal adviser appointed by the Group, we understand that, pursuant to Article 10, Section 2 of the Regulations on Foreign Exchange Administration for Foreign Investors' Domestic Direct Investments issued by the State Administration of Foreign Exchange, if there is a transaction involving the equity of a foreign-invested enterprise, the domestic purchaser must first complete the registration process for the foreign-invested enterprise in the PRC before being able to proceed with any relevant foreign exchange activities and remittance to the overseas vendor. The legal adviser is of the opinion that the payment arrangement of the Consideration after Completion is fair and reasonable.

Moreover, we understand that the Company has performed due diligence exercise on the financial background of the Purchaser. The Purchaser is a state-owned enterprise which is held by Nanhai District Public Assets Management Committee Office under the jurisdiction of the Nanhai District People's Government of Foshan City, the PRC. Based on its quarterly report for the period ended 30 September 2023 published on China Foreign Exchange Trade System (中國外匯交易中心), we observed that the Purchaser's total assets amounted to approximately RMB50.6 billion (equivalent to approximately HK\$55.4 billion), and its cash balance amounted to approximately RMB5.3 billion (equivalent to approximately HK\$5.8 billion) as at 30 September 2023. The Group has been informed by the Purchaser that a portion of the bank balance of the Purchaser has been reserved for the settlement of the Consideration.

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Moreover, pursuant to the Disposal Agreement, if the Purchaser fails to timely and fully make the payment of the Consideration to the designated account of the Vendor, the Purchaser shall be liable to pay the Vendor a penalty for delayed payment. The late payment penalty shall be calculated at a daily rate of 0.015% of the outstanding payment amount, starting from the date when the payment was due until the actual payment date of said amount. Considering the current interest rate offered for bank savings accounts in the PRC, in case of any late payment, the Group has the opportunity to receive an interest payment that exceeds the regular interest income earned from banks.

Based on above, in particular (i) the registration procedures pursuant to relevant regulations in the PRC; (ii) the stated-owned background of the Purchaser; (iii) the strong financial background and ample cash resources of the Purchaser; and (iv) the late payment penalty mechanism, we consider that the payment terms are normal commercial, and fair and reasonable to the Company and the Shareholders.

7. Financial effect of the Disposal

Upon Completion, the Company will cease to have any interest in the Sino Rock Tyco Group and the financial information of the Sino Rock Tyco Group will no longer be consolidated into the consolidated financial statements of the Group. The analysis below is based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to the Circular (the “**Pro Forma Financial Information**”). It should be noted that such analysis is for illustrative purposes only and does not purport to represent how the financial position of the Remaining Group will be upon the Completion.

Revenue

For FY2022, the Group recorded an audited consolidated revenue for the year of approximately of HK\$767.6 million. With reference to the Pro Forma Financial Information and assuming that the Disposal had taken place on 1 January 2022, the unaudited pro forma consolidated revenue for the Remaining Group for FY2022 would decrease by approximately HK\$82.3 million or 10.7% to approximately HK\$685.3 million.

Earnings

For FY2022, the Group recorded an audited consolidated profit for the year of approximately of HK\$42.8 million. With reference to the Pro Forma Financial Information and assuming that the Disposal had taken place on 1 January 2022, the unaudited pro forma consolidated profit for the Remaining Group for FY2022 would be increased by approximately HK\$134.1 million or 313.2% to approximately HK\$176.9 million.

Net asset value

The unaudited net asset value attributable to the owners of the Company as at 30 June 2023 was approximately HK\$936.7 million. Based on the Pro Forma Financial Information and assuming that the Disposal had taken place on 30 June 2023, the unaudited pro forma net asset value attributable to the owners of the Company would be approximately HK\$1,107.8 million. Therefore, upon Completion and mainly taking

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into consideration the repayment of the loan due to Sino Rock Tyco Group of approximately HK\$294.2 million and the US Loan of US\$90.0 million (equivalent to approximately HK\$702.0 million), the net asset value attributable to the owners of the Company as at 30 June 2023 would increase by approximately HK\$171.1 million or approximately 18.3%.

Gearing ratio

The gearing ratio of the Group as at 30 June 2023, calculated as a percentage of total liabilities to total assets, was approximately 79.5%. Based on the Pro Forma Financial Information, upon Completion and mainly taking into consideration after repayment of the loan due to Sino Rock Tyco Group of approximately HK\$294.2 million and the US Loan of US\$90.0 million (equivalent to approximately HK\$702.0 million), the gearing ratio of the Group is expected to decrease and the pro forma gearing of the Group as at 30 June 2023 would be approximately 72.8%, strengthening the financial position of the Group.

OPINIONS AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the entering into the Disposal Agreement is not in the ordinary and usual course of business of the Group because of its “one-off” nature. Nevertheless, the terms and conditions of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the First SGM in respect of the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Octal Capital Limited

Alan Fung **Celina Yuen**
Managing Director *Associate Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Ms. Celina Yuen is a licensed person and a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Yuen has over 12 years of experience in corporate finance industry and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

**Report No.: Zhong Lian Guo Ji Zi [2023]
No. OIGPC0803
Date: 27 October 2023**

CIH Finance Investments Holdings Limited
UNIT 501, WING ON PLAZA,
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Dear Sirs/Madams,

Regarding: Valuation Report on the Relevant Property Interests Owned by Guangdong Sino Rock Tyco Construction Co., Ltd. and Its Subsidiaries

1. INSTRUCTIONS

In accordance with your instructions, we have carried out the valuation of the property interests held by of Guangdong Sino Rock Tyco Construction Co., Ltd. (the “**Company**”) and its subsidiaries. We confirm that we have carried out inspection, made relevant enquiries and investigation, and collected further information considered necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 September 2023 (the “**Valuation Benchmark Date**”).

The purpose of this valuation is to provide a reference for the transfer of equity interests by CIH Finance Investments Holdings Limited in relation to the value of the property interests owned by Guangdong Sino Rock Tyco Construction Co., Ltd. and its subsidiaries.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited; and the International Valuation Standards published by the International Valuation Standards Council.

Unless otherwise stated, all currency units presented in this report are RMB.

2. BASIS OF VALUATION

Valuation is our opinion of its market value. We define market value 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.

3. VALUATION METHODOLOGY

- **C-D Area Industrial-use Real Estate, Pilot Base Industrial-use Real Estate, and Dan Qing Garden Rental Housing Project**

Pursuant to the relevant land lease agreements, Sino Rock may operate these completed properties by subleasing or re-leasing them during the lease term of the land on which they are situated. Upon expiry of the land lease term, the properties shall be handed over to the land lessor or a third party designated by the land lessor at nil consideration. In light of the actual situation, we have conducted the valuation using the valuation method of discounted cash flow. The valuation includes the value of the above-ground buildings and the right-of-use assets of the leasehold land where they are located. The land rentals and land management fees to be paid over the remaining operating period of the properties have not been deducted from the projected cash flows.

As Sino Rock does not have the right to dispose of these properties, it is not appropriate to adopt the cost approach and the market approach to value these properties.

- **Xianhuwan Commercial Plaza**

As a whole, the cost approach has been adopted in this valuation for the properties of Xianhuwan Commercial Plaza. The buildings therein were valued using the “depreciated replacement cost” method. The right of use of the land where they are located were valued using the market approach.

For the building portion of Buildings A-F of Xianhuwan Commercial Plaza at Nanhai District, Foshan City, the valuation was carried out using the “depreciated replacement cost” method. This method involves estimating the cost of new replacements for buildings and building structures and then deducting them to account for the useful life, condition, functional obsolescence etc.

In estimating the value of right of use of the land where Buildings A-F of Xianhuwan Commercial Plaza, Nanhai District, Foshan City are located, as the local land transaction market where the property is located is relatively active, using the direct comparison method for the valuation of the land use rights can directly reflect the market value of the asset. Accordingly, the valuation was carried out using the direct comparison method, where comparison is made based on the realised price and/or asking price of the actual sale of the comparable land use rights. Comparable land use rights of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

As there are relatively few cases of market transactions or leasing transactions of similar assets in the business district where the real estate is located, it is not appropriate to adopt the market approach or the income approach in valuing the property as a whole.

- **Xianhuwan Commercial Plaza Exhibition Center (Hydrogen Energy Exhibition Hall)**

In respect of the Hydrogen Energy Exhibition Hall, according to the instructions of Guangdong Sino Rock Tyco Construction Co., Ltd., the Hydrogen Energy Exhibition Hall is a property invested and constructed by Guangdong Sino Rock Tyco Construction Co., Ltd. as an ancillary facility after obtaining subsidies for the construction of the new energy industrial park, and was financed by its wholly-owned subsidiary Foshan City Xianhuwan Development Co., Ltd. (佛山市仙湖灣置業有限公司). However, the Company does not have any de facto control over the Hydrogen Energy Exhibition Hall and is not entitled to income from it. The property is a public welfare property, which is operated by the relevant government departments and does not generate any economic benefits for the Company. Based on its actual economic attributes, its value is treated as nil in this valuation.

- **Lot Nos. 5-13 Right-of-use Assets and Lot No. 18 Right-of-use Assets**

In respect of the right-of-use assets of the leasehold land to be developed, as this type of asset is a leasehold land asset, for Sino Rock, it essentially represents its interests in these leasehold assets during the lease term. Based on this, the discounted cash flow approach was adopted in this valuation to value the right-of-use assets of the leasehold land to be developed – Lot Nos. 5-13 and Lot No. 18 of Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City.

In general, the market approach or cost approach is not suitable for the valuation of right-of-use assets.

- **Construction in Progress on Lot No.13 and Construction in Progress on Lot No. 18**

For construction in progress on Lot No.13 and Lot No. 18, as the projects are currently in the preliminary development stage and the level of development is relatively low, the replacement cost approach was adopted in this valuation for the construction in progress on Lot No.13 and Lot No. 18.

As similar construction in progress is seldom traded directly in the market, it is not appropriate to adopt the market approach in the valuation of the construction in progress. As the projects are still in the preliminary development stage and there are some uncertainties as to its future revenue, cost or specific construction progress, it is not appropriate to adopt the income approach for valuation.

4. ASSUMPTIONS

In our valuation, we have assumed that:

- 1) all necessary statutory approvals for the properties or the subject building of which the properties form part of the use have been obtained;
- 2) no deleterious or hazardous materials or techniques have been used in the construction of the properties;

- 3) the properties are not subject to any unusual or unduly onerous restrictions, encumbrances or outgoing and that good title can be shown;
- 4) As at the Valuation Benchmark Date, it is assumed that the relevant construction costs and construction expenses of the properties in their present condition as at the Valuation Benchmark Date have been paid. No consideration was given to the effect of subsequent construction costs payable on the valuation conclusion.
- 5) Other special assumptions for the property, if any, are set out in the notes to the “Valuation Certificate”.

5. PROPERTY INSPECTION

We have inspected the exterior and main body and, where possible, the interior of the property. However, we have not organized specific technical check on technical data, technical status, structure and attachments of relevant assets. Our valuation has been prepared on the assumption that these aspects are satisfactory.

The properties were inspected by Mr. Zheng Huaidong (鄭淮東) on 20 September 2023. Mr. Zheng Huaidong is an public valuer in the PRC. He has over 7 years’ experience in property valuation in the PRC and 1 year’s experience in property valuation in Hong Kong. He has been engaged in property valuation work for Hong Kong-listed real estate investment trusts (REITs).

6. TITLE INVESTIGATION

We have been shown copies of title documents including Land Lease Agreement, Real Estate Title Certificate, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and other official plans relating to the property interests and have made relevant review. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have obtained a legal opinion from Guang Dong J&J Law Firm regarding the properties of Guangdong Sino Rock Tyco Construction Co., Ltd. We have relied considerably on the advice given by your PRC legal adviser – Guang Dong J&J Law Firm, concerning the validity of the property interests.

According to the above legal opinion, Guang Dong J&J Law Firm is of the view that Guangdong Sino Rock Tyco Construction Co., Ltd. is entitled to the right of use for the projects constructed on the leasehold land (including the CD Areas Plant, Dan Qing Garden Rental Housing Project, Pilot Base Plant, Lot No.13 Project (which is built in the land Lot No. 13 under the land lease agreement of land Lot No. 5 to 13, but the land Lot No. 5 to 12 are not yet developed), Lot No.18 Project, etc.) during the lease term as stipulated in the land lease agreement, and is entitled to the right of subleasing and re-leasing for the above-ground buildings and the land they occupy. Upon expiry of the lease term, all buildings and other real estate (including water, high and low voltage power facilities and others) invested by Sino Rock Tyco in the leasehold land shall be transferred to the lessor or a third party designated by the lessor at nil consideration. Xianhuwan Development Co., Ltd. is the legal title owner of the properties of Buildings A, B, C, D, E and F of Xianhuwan Commercial Plaza at No. 3 Yangguang Road, Xianhu Resort Area, Danzao Town, Nanhai District, Foshan City.

7. LIMITING CONDITIONS

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have relied to a considerable extent on information provided by the Group, in particular, but not limited to the tenure, statutory notices, easements, particulars of occupancy, site and floor areas, and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truthfulness 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 opinion, and we have no reason to suspect that any material information has been withheld.

We do not accept any liability for any interpretation placed on such information which is more properly the sphere of the legal advisers of instructing party. Neither have we verified the correctness of any information supplied to us concerning the properties.

Unless otherwise stated, we have not carried out the valuation on a redevelopment basis and the study of possible alternative development options do not come within the scope of our valuation.

None of the services have been tested by us and we are, therefore, unable to report on their present conditions. We have no duty to verify that no deleterious or hazardous materials or techniques have been used in the construction of or making addition or alteration to the properties. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not carried out detailed on-site measurements to verify the correctness of the site and floor areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Both area and building completion year are approximates. We have quoted the source of saleable area in the report. However, we accept no liability if the quoted area departed from any other sources.

No allowance has been made in our report 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.

The valuation report is limited to the exclusive and prescribed use of the principal. No part or all of this valuation report may be disclosed to any third party. If this valuation report is used for any purpose other than those specified, we shall not be not liable.

8. STATEMENTS

This is to state that we are the “external valuers” for the property valuation work.

According to the HKIS Valuation Standards, an “external valuer” is a “valuer” who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment.

9. VALUATION OPINION

We are of the opinion that the aggregate market value of the property interests, exclusive of any encumbrances, as at 30 September 2023 was RMB2,230,104,000.00 (Two Billion Two Hundred and Thirty Million One Hundred and Four Thousand).

This valuation conclusion is valid for one year from 30 September 2023, the Valuation Benchmark Date.

The “Valuation Summary” and “Valuation Certificates” are attached.

On behalf of
Allied Appraisal Co., Ltd.

Appraiser Hu Dongquan (胡東全)
Executive Director

27 October 2023

A summary of our valuation and valuation certificates are attached below for your attention.

Note: Hu Dongquan is a Professional Member of The Royal Institution of Chartered Surveyors, a PRC Real Estate Appraiser, a PRC Land Appraiser and a PRC Public Valuer. He has over 26 years of experience in property valuation in the PRC.

Property classification: Properties held for development

VALUATION SUMMARY

No.	Property Name	Gross Floor Area/Land Area (sq.m.)	Property Use	Market Value in Present Condition on the Valuation Benchmark Date
1	CD Areas Plant	186,209.80	Industrial	791,775,100.00
2	Pilot Base Plant	113,437.24	Industrial	448,997,100.00
3	Dan Qing Garden Rental Housing	101,644.74	Commercial and rental housing	383,578,500.00
4	Xianhuwan Commercial Plaza (Including land use rights)	28,552.74	Commercial	151,372,400.00
5	Xianhuwan Commercial Plaza Exhibition Center (Hydrogen Energy Exhibition Hall)	–	Hydrogen energy exhibition hall (public welfare)	–
6	Right-of-use Assets of Lot Nos. 5-13	339,839.30	Industrial-use land	336,690,600.00
7	Right-of-use Assets of Lot No. 18	97,742.40	Industrial-use land	99,050,900.00
8	Construction in Progress on Lot No.13	–	Industrial	15,137,400.00
9	Construction in Progress on Lot No.18	–	Industrial	3,502,000.00
Total				<u>2,230,104,000.00</u>

Notes:

- (1) Pursuant to the instructions of the principal and relevant government documents, the People's Government of Nanhai District, Foshan City, has agreed to provide financial subsidies totalling RMB600 million to Guangdong Sino Rock Tyco Construction Co., Ltd. for the construction of new energy rental housing (Dan Qing Garden Rental Housing) and plants (C-D Areas Plant and Pilot Base Plant) in Danzao Town, Nanhai District, Foshan City, Guangdong Province, as well as the acquisition of the Xianhuwan Commercial Complex and the construction of the Hydrogen Energy Exhibition Hall. As at the Valuation Benchmark Date, Guangdong Sino Rock Tyco Construction Co., Ltd. has received government subsidies amounting to RMB418,628,300. The remaining RMB181,371,700 is expected to be disbursed between 2023 and 2027. Sino Rock expects to receive government subsidies of RMB20 million in 2023, RMB50 million in 2024, RMB40 million in 2025, RMB40 million in 2026 and RMB31,371,700 in 2027. The effect of the aforesaid amount of government subsidies has not been taken into account in this valuation of the property interests. If the interest is discounted on the basis of the after-tax discounted cash flow with reference to the quoted market interest rate of 4.2% for 5-year loans published with the authorisation of the National Interbank Funding Center, the valuation of the interest would be RMB126,155,200.00.
- (2) CD Areas Plant, Pilot Base Plant and Dan Qing Garden Rental Housing have been completed. However, as reported by Sino Rock, the completion settlement of the properties has not been conducted. For CD Areas Plant, the estimated reconstruction costs excluding VAT not provided for in Sino Rock's books is RMB25,286,800. For Pilot Base Plant, the estimated reconstruction costs excluding VAT not provided for in Sino Rock's books is RMB28,940,600. For Dan Qing Garden Rental Housing, the estimated reconstruction costs excluding VAT not provided for in Sino Rock's books is RMB9,022,900. The total amount is RMB63,250,300. The valuation conclusion of the property interests has not deducted the unpaid construction payments of these properties.

Valuation Certificate – CD Areas Plant

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
1. Buildings C1-C10, No. 8 Lizhong Road and Buildings D1-D16, No. 1 Xiangda Road, Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City, Guangdong Province	<p>The properties comprise a total of 16 buildings located at No. 8 Lizhong Road (Buildings C1-C10) and No. 1 Xiangda Road (Buildings D1-D16), Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City, Guangdong Province (Lot Nos. 16-17). They were completed and put into use in 2021.</p> <p>The total gross floor area (GFA) of the properties is 186,209.8 sq.m., all for industrial use. The registered title owner is the land owner. Pursuant to the land lease agreement, Guangdong Sino Rock Tyco Construction Co., Ltd. is entitled to lease and sublease the properties during the tenure.</p> <p>The use right of the land where the properties are located is obtained through lease, with a total of 4 land lease agreements signed. The leasehold land covers an area of 315,313.2 sq.m., of which 310,380.16 sq.m. can be used for construction. It is agreed that the title of all buildings and other real estate (including water, high and low voltage power facilities and others) on the leasehold land shall be transferred to the land lessor or the third party designated by the land lessor at nil consideration upon the expiration of the tenure.</p>	<p>As at the Valuation Benchmark Date, the occupancy rate of the properties was 87%, and the average unit rent was approximately RMB22 per sq.m. per month.</p> <p>The tenure expires between 2023 and 2041.</p>	791,775,100.00

Notes:

- (1) The registered title owner of the properties is Xiaoxing Joint Stock Economic Cooperation in Yinhe Community, Danzao Town, Nanhai District, Foshan City. It is the owner of the collective construction land where the properties are located. Guangdong Sino Rock Tyco Construction Co., Ltd. acquired the land use right through entering into a lease agreement with Foshan City Nanhai Lianyun Investment Co., Ltd. (佛山市南海聯運投資有限公司). The tenure for 101,504.90 sq.m. of land commences from 21 January 2019 and ends on 25 August 2051, and the tenure for 213,808.30 sq.m. of land commences from 21 January 2019 and ends on 20 December 2051. The agreed land lease fee for the first year is RMB30,000 per mu per year which shall be increased by 8% every 3 years, while the land management fee is RMB1.3 per sq.m. per year which shall be increased by 8% every 3 years. In this valuation, the expenses of land rentals and land management fees of the properties to be paid in the future operating period have not been deducted.

- (2) As at the Valuation Benchmark Date, the leased GFA of the properties was 162,812.23 sq.m. (inclusive of the apportioned area), and the leasing status during the tenure was as follows:

Year	October to									
	December									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Contractual rental income (RMB10,000)	1,128.27	4,607.49	3,471.54	1,993.51	1,124.60	659.42	659.42	618.51	519.44	513.67
Expired Contractual GFA (sq.m.)	-	23,255.35	41,649.08	51,785.58	23,378.74	-	-	4,954.77	1,071.89	-
Year	2033	2034	2035	2036	2037	2038	2039	2040	2041	
Contractual rental income (RMB10,000)	541.40	565.04	585.69	377.47	216.75	216.75	227.59	238.43	119.21	
Expired Contractual GFA (sq.m.)	-	-	-	11,188.93	-	-	-	-	-	5,527.89

The lease agreements of such properties generally stipulate that the lease period is 3-5 years, and the rent increase rate is generally 10% every 3 years.

- (3) The properties have been completed, but according to the principal, the completion settlement of the properties has not been conducted, and the relevant construction costs have not been settled. Such costs have not been deducted from the valuation results.
- (4) The properties were appraised using the discounted cash flow approach and conditional upon Sino Rock's continual operating lease of the properties.
- (5) The discounted cash flow is calculated as:

$$\text{valuation of property interests} = \sum \frac{(\text{Net income from property operation for each year during the property operating period})}{(1 + \text{discounted rate})^{\text{Operating period}}}$$

The net operating income of the properties is calculated as the estimated rental income of the properties in the future operating period less the relevant operating costs. The discounted rate used in the valuation is 5%, primarily with reference to the general rate of return for leasing real estate of similar use in the local area. The operating period is from the Valuation Benchmark Date to the end of 2051 based on the remaining operating period of the leasehold land where the properties are located. The incremental rate of rent during the operating period is set at 3% per year according to the prevailing market conditions. Pursuant to the land lease agreement, the properties shall be transferred back at nil consideration upon the expiration of the operating period. Hence there shall be no recovery of residual value.

(6) In this valuation, projections for the operating income, operating cost, occupancy rate and other data during the future operating period of the properties are as follows:

No.	Year	October to December									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1	Total annual income	13,059,397.78	51,008,445.04	52,314,487.40	52,985,306.58	54,755,262.11	56,351,262.76	57,834,911.65	59,663,445.04	61,553,927.86	63,238,021.62
1.1	Potential gross rental income from the industrial plant	14,418,037.07	52,854,571.37	54,224,216.95	54,927,704.13	56,783,854.34	58,457,578.81	60,013,480.20	61,931,061.30	63,913,608.03	65,679,715.49
1.2	Estimated overall occupancy rate	90%	95%	95%	95%	95%	95%	95%	95%	95%	95%
1.3	Including: rental income under signed lease agreement	11,282,711.63	46,074,868.77	34,715,398.85	19,935,120.42	11,246,011.65	6,594,199.12	6,594,199.12	6,185,061.65	5,194,378.49	5,136,719.30
1.4	Estimated rental income of the industrial plant outside the contract period	1,693,521.38	4,136,974.23	16,797,607.15	32,246,198.58	42,698,650.35	48,940,500.88	50,418,606.88	52,649,446.35	55,523,549.51	57,259,010.70
1.5	Rental income of photovoltaic rooftop	34,375.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00
1.6	Lease rate of photovoltaic rooftop	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1.7	Other income (interest on lease deposits)	48,789.78	190,567.04	195,446.40	197,952.58	204,565.11	210,527.76	216,070.65	222,902.04	229,964.86	236,256.62
2	Total annual expenses	3,414,186.74	13,368,928.29	13,778,316.40	14,078,047.05	14,565,799.87	14,973,781.27	15,309,799.45	15,728,019.45	16,166,084.63	16,548,075.80
2.1	Maintenance fee	519,990.87	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47
2.2	Management fee	179,045.06	699,328.60	717,234.51	726,431.48	750,697.67	772,578.92	792,919.83	817,989.12	843,907.75	866,996.77
2.3	Relevant taxes	2,593,873.63	10,126,213.53	10,391,089.73	10,527,137.41	10,886,099.05	11,209,781.19	11,510,677.46	11,881,519.16	12,264,924.73	12,606,472.88
2.4	Insurance premium	103,998.17	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69
2.5	Selling expenses	17,279.00	47,430.00	174,036.00	328,522.00	433,047.00	495,465.00	510,246.00	532,555.00	561,296.00	578,650.00
3	Net gain from property operations	9,645,211.04	37,639,516.75	38,536,171.00	38,907,259.53	40,189,462.24	41,377,481.49	42,525,112.20	43,935,425.59	45,387,843.23	46,689,945.81

APPENDIX I

PROPERTY VALUATION REPORT

No.	Year	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
1	Total annual income	65,234,370.96	67,243,689.76	69,278,006.94	71,611,556.06	74,056,017.54	76,197,442.89	78,506,454.33	80,881,635.99	83,323,244.81	85,909,357.50
1.1	Potential gross rental income from the industrial plant	67,773,285.35	69,880,455.89	72,013,842.29	74,461,032.24	77,024,536.88	79,270,247.48	81,691,705.24	84,182,555.47	86,743,068.52	89,455,121.96
1.2	Estimated overall occupancy rate	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
1.3	Including: rental income under signed lease agreement	5,413,999.27	5,650,391.23	5,856,875.70	3,774,693.85	2,167,517.12	2,167,517.12	2,275,892.98	2,384,268.84	1,192,134.42	-
1.4	Estimated rental income of the industrial plant outside the contract period	58,970,621.73	60,736,041.77	62,556,274.30	66,963,287.15	71,005,792.88	73,139,217.88	75,331,227.02	77,589,159.16	81,213,780.58	84,982,366.00
1.5	Rental income of photovoltaic rooftop	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00	606,035.00
1.6	Lease rate of photovoltaic rooftop	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1.7	Other income (interest on lease deposits)	243,714.96	251,221.76	258,821.94	267,540.06	276,672.54	284,672.89	293,299.33	302,172.99	311,294.81	320,956.50
2	Total annual expenses	16,997,439.03	17,450,147.39	17,908,816.35	18,458,142.51	19,027,838.23	19,512,831.07	20,034,694.38	20,571,543.75	21,136,442.82	21,734,069.62
2.1	Maintenance fee	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47
2.2	Management fee	894,366.83	921,914.70	949,805.30	981,798.39	1,015,312.09	1,044,671.15	1,076,327.82	1,108,891.69	1,142,366.28	1,177,822.03
2.3	Relevant taxes	13,011,349.05	13,418,855.53	13,831,431.89	14,304,694.97	14,800,451.99	15,234,750.77	15,703,037.40	16,184,743.90	16,679,922.37	17,204,407.43
2.4	Insurance premium	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69
2.5	Selling expenses	595,767.00	613,421.00	631,623.00	675,693.00	716,118.00	737,453.00	759,373.00	781,952.00	818,198.00	855,884.00
3	Net gain from property operations	48,236,931.93	49,793,542.37	51,369,190.59	53,153,413.55	55,028,179.31	56,684,611.81	58,471,759.95	60,310,092.24	62,186,801.99	64,175,287.88

No.	Year	2043	2044	2045	2046	2047	2048	2049	2050	2051
1	Total annual income	88,468,389.02	91,104,191.35	93,819,068.10	96,477,374.51	99,357,587.96	102,324,206.22	104,987,913.80	108,056,818.20	89,799,831.16
1.1	Potential gross rental income from the industrial plant	92,138,775.61	94,902,938.88	97,750,027.05	100,682,527.86	103,703,003.70	106,814,093.81	110,018,516.62	113,319,072.12	94,174,358.20
1.2	Estimated overall occupancy rate	95%	95%	95%	95%	95%	95%	95%	95%	95%
1.3	Including: rental income under signed lease agreement	-	-	-	-	-	-	-	-	-
1.4	Estimated rental income of the industrial plant outside the contract period	87,531,837.00	90,157,792.00	92,862,526.00	95,648,401.00	98,517,854.00	101,473,389.00	104,517,590.83	107,653,119.00	89,465,640.00
1.5	Rental income of photovoltaic rooftop	606,035.00	606,035.00	606,035.00	468,535.00	468,535.00	468,535.00	78,089.17	-	-
1.6	Lease rate of photovoltaic rooftop	100%	100%	100%	100%	100%	100%	100%	100%	100%
1.7	Other income (interest on lease deposits)	330,517.02	340,364.35	350,507.10	360,438.51	371,198.96	382,282.22	392,233.80	403,699.20	334,191.16
2	Total annual expenses	22,313,641.86	22,910,600.38	23,525,468.96	24,127,524.03	24,779,838.04	25,451,720.28	26,054,999.80	26,750,047.86	22,175,633.57
2.1	Maintenance fee	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	2,079,963.47	1,678,217.10
2.2	Management fee	1,212,906.50	1,249,043.49	1,286,264.60	1,322,710.13	1,362,198.01	1,402,870.51	1,439,390.09	1,481,464.94	1,231,178.53
2.3	Relevant taxes	17,723,400.20	18,257,962.73	18,808,562.20	19,347,688.74	19,931,819.87	20,533,474.60	21,073,696.55	21,696,095.76	18,035,938.52
2.4	Insurance premium	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	415,992.69	335,643.42
2.5	Selling expenses	881,379.00	907,638.00	934,686.00	961,169.00	989,864.00	1,019,419.00	1,045,957.00	1,076,531.00	894,656.00
3	Net gain from property operations	66,154,747.16	68,193,590.97	70,293,599.14	72,349,850.48	74,577,749.92	76,872,485.94	78,932,914.00	81,306,770.34	67,624,197.59

In the table above, total annual income = potential gross rental income from the industrial plant x occupancy rate + rental income of photovoltaic rooftop x lease rate + other income (interest on lease deposits). Potential gross rental income from the industrial plant = contractual rental income + potential rental income from vacant properties and properties with expired leases. Considering that the current occupancy rate of the C-D Plant is 87%, and in light of the expected progress of business solicitation of the project and the general situation of similar industrial parks in the market, in this valuation, we expect that the occupancy rate will reach 90% in 2023, and will enter a stable period in 2024 with an occupancy rate of 95%. For the rental income of photovoltaic rooftop, as its lessee is a wholly-owned subsidiary of the Company, its lease rate is considered at 100%.

Of the property operating costs, maintenance fee and insurance premium were calculated at 0.5% and 0.1% respectively on the basis of the replacement cost of the buildings; management fee was calculated at 1.5% of the tax-exclusive rental income; selling expenses were calculated at 1% of (estimated annual rental income – rental income under signed lease agreement); and relevant taxes were mainly value-added tax and surcharges, property tax and stamp duty calculated in accordance with the prevailing tax policy.

For the industrial plant property with signed lease agreement, the lease income for the future operating period is estimated based on the contractual rental income. Upon expiry of the property lease, the potential gross rental income is estimated based on the prevailing objective market rental level, with an annual rental increment of 3%. The rental increment rate of the property is set at 3% mainly by taking into consideration that the target property is located in an industrial clustering with a strong industrial atmosphere and stable demand from the resident enterprises, and that the contractual rental growth rate of other similar properties in the area is generally around 3.0% per annum, which is basically in line with the average annual rental growth rate as stipulated in the currently signed lease agreement of C-D Areas.

Valuation Certificate – Pilot Base Plant

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
<p>2. Buildings E6-E8 and R&D Building 1, Zone A1, Pilot Base Plant, No. 6 Xi'an Road, Danzao Town, and Buildings E1-E5, Comprehensive Plant, Warehouse and R&D Building 2, Zone B, Pilot Base Plant, No.1 Fengtai Road, Danzao Town, Nanhai District, Foshan City, Guangdong Province</p>	<p>The properties comprise a total of 13 buildings located at Zone A1, Pilot Base Plant, No. 6 Xi'an Road, Danzao Town (Buildings E6-E8 and R&D Building 1), and Zone B, Pilot Base Plant, No.1 Fengtai Road, Danzao Town (Buildings E1-E5, Comprehensive Plant, Warehouse and R&D Building 2), Nanhai District, Foshan City, Guangdong Province (Lot Nos. 2-4). They were completed and put into use in 2022.</p> <p>The total GFA of the properties is 113,437.24 sq.m., all for industrial use. The registered title owner is the land owner. Pursuant to the land lease agreement, Guangdong Sino Rock Tyco Construction Co., Ltd. is entitled to lease and sublease the properties during the tenure.</p> <p>The use right of the land where the properties are located is obtained through lease, with a total of 3 land lease agreements signed. The leasehold land covers an area of 126,529.50 sq.m., of which 126,529.50 sq.m. can be used for construction. The tenures for the above leasehold land expire in 2053. It is agreed that the title of all buildings and other real estate (including water, high and low voltage power facilities and others) on the leasehold land shall be transferred to the land lessor or the third party designated by the land lessor at nil consideration upon the expiration of the tenure.</p>	<p>As at the Valuation Benchmark Date, the occupancy rate of the properties was 38%, and the average unit rent was approximately RMB22 per sq.m. per month.</p> <p>The tenure expires between 2026 and 2028. Please refer to the notes for details of the lease.</p>	448,997,100.00

Notes:

- (1) The registered title owners of the properties are Daguo Joint Stock Economic Cooperation in Xicheng Community, Fushui Joint Stock Economic Cooperation in Xicheng Community, and Xiangang Joint Stock Economic Cooperation in Xiangang Community, Danzao Town, Nanhai District, Foshan City. They are the owners of the collective construction land where the properties are located. Guangdong Sino Rock Tyco Construction Co., Ltd. acquired the land use right through entering into a lease agreement with Danzao Logistics Center at Danzao Town, Nanhai District, Foshan City. The tenure for 56,502.50 sq.m. of land commences from 23 May 2019 and ends on 1 January 2053, and the tenure for 70,027.00 sq.m. of land commences from 23 May 2019 and ends on 30 September 2053. The agreed land lease fee for the first year is RMB30,000 per mu per year which shall be increased by 8% every 3 years, while the land management fee is RMB1.3 per sq.m. per year which shall be increased by 8% every 3 years. In this valuation, the expenses of land rentals and land management fees of the properties to be paid in the future operating period have not been deducted.
- (2) As at the Valuation Benchmark Date, the leased GFA of the properties was 43,150.67 sq.m. (inclusive of the apportioned area), and the leasing status during the tenure was as follows:

Year	October to December					
	2023	2024	2025	2026	2027	2028
Contractual rental income (RMB10,000)	282.51	1,147.39	1,200.28	914.78	470.39	81.68
Expired Contractual GFA (sq.m.)	–	–	–	22,230.18	6,557.40	14,363.08

The lease agreements of such properties generally stipulate that the lease period is 5 years, rent increase rate is generally 10% every 3 years.

- (3) The properties were appraised using the discounted cash flow approach and conditional upon Sino Rock's continual operating lease of the properties.
- (4) The discounted cash flow is calculated as:

$$\text{valuation of property interests} = \sum \frac{(\text{Net income from property operation for each year during the property operating period})}{(1 + \text{discounted rate})^{\text{Operating period}}}$$

The net operating income of the properties is calculated as the estimated rental income of the properties in the future operating period less the relevant operating costs. The discounted rate used in the valuation is 5%, primarily with reference to the general rate of return for leasing real estate of similar use in the local area. The operating period is from the Valuation Benchmark Date to the end of 2051 based on the remaining operating period of the leasehold land where the properties are located. The incremental rate of rent during the operating period is set at 3% per year according to the prevailing market conditions. Pursuant to the land lease agreement, the properties shall be transferred back at nil consideration upon the expiration of the operating period. Hence there shall be no recovery of residual value.

- (5) The properties have been completed, but according to the principal, the completion settlement of the properties has not been conducted, and the relevant construction costs have not been settled. Such costs have not been deducted from the valuation results.

APPENDIX I**PROPERTY VALUATION REPORT**

(6) In this valuation, projections for the operating income, operating cost, occupancy rate and other data during the future operating period of the properties are as follows:

No.	Year	October to										
		December 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1	Total annual income	4,843,922.85	22,966,197.49	26,966,785.64	29,589,849.38	29,454,373.25	29,934,063.36	32,533,656.42	33,509,665.78	34,514,955.53	35,550,404.96	36,616,916.44
1.1	Potential gross rental income from the industrial plant	12,064,566.12	30,507,194.29	31,607,103.62	32,754,780.34	32,604,813.18	33,135,810.87	36,013,456.53	37,093,860.22	38,206,676.03	39,352,876.31	40,533,462.60
1.2	Estimated overall occupancy rate	40%	75%	85%	90%	90%	90%	90%	90%	90%	90%	90%
1.3	Including: rental income under signed lease agreement	2,825,095.25	11,473,884.28	12,002,794.32	9,147,847.02	4,703,872.37	816,787.16	-	-	-	-	-
1.4	Estimated rental income of the industrial plant outside the contract period	2,000,730.76	11,406,511.72	14,863,243.68	20,331,454.98	24,640,459.63	29,005,442.84	32,412,111.00	33,384,474.00	34,386,008.00	35,417,589.00	36,480,116.00
1.5	Other income (interest on lease deposits)	18,096.85	85,801.49	100,747.64	110,547.38	110,041.25	111,833.36	121,545.42	125,191.78	128,947.53	132,815.96	136,800.44
2	Total annual expenses	1,423,384.81	6,504,986.61	7,405,754.28	8,028,378.67	8,042,135.60	8,189,646.30	8,786,572.86	9,007,620.77	9,235,299.43	9,469,809.22	9,711,353.50
2.1	Maintenance fee	323,863.32	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28
2.2	Management fee	66,410.45	314,867.83	369,716.12	405,678.47	403,821.08	410,397.66	446,038.22	459,419.37	473,201.94	487,398.01	502,019.94
2.3	Relevant taxes	948,331.37	4,521,509.84	5,332,862.23	5,864,841.26	5,837,365.58	5,934,650.71	6,461,869.69	6,659,812.47	6,863,693.55	7,073,691.27	7,289,988.62
2.4	Insurance premium	64,772.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66
2.5	Selling expenses	20,007.00	114,065.00	148,632.00	203,315.00	246,405.00	290,054.00	324,121.00	333,845.00	343,860.00	354,176.00	364,801.00
3	Net gain from property operations	3,420,538.04	16,461,210.87	19,561,031.36	21,561,470.71	21,412,237.64	21,744,417.06	23,747,083.56	24,502,045.00	25,279,656.10	26,080,595.74	26,905,562.93

No.	Year	October to										
		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
1	Total annual income	37,715,424.45	38,846,886.58	40,012,293.53	41,212,662.10	42,449,042.20	43,722,513.88	45,034,189.28	46,385,214.70	47,776,771.54	49,210,074.35	50,686,376.80
1.1	Potential gross rental income from the industrial plant	41,749,466.48	43,001,950.47	44,292,008.99	45,620,769.25	46,989,392.33	48,399,074.10	49,851,046.33	51,346,577.72	52,886,975.05	54,473,584.30	56,107,791.83
1.2	Estimated overall occupancy rate	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
1.3	Including: rental income under signed lease agreement	-	-	-	-	-	-	-	-	-	-	-
1.4	Estimated rental income of the industrial plant outside the contract period	37,574,520.00	38,701,755.00	39,862,808.00	41,058,692.00	42,290,453.00	43,559,167.00	44,865,942.00	46,211,920.00	47,598,278.00	49,026,226.00	50,497,013.00
1.5	Other income (interest on lease deposits)	140,904.45	145,131.58	149,485.53	153,970.10	158,589.20	163,346.88	168,247.28	173,294.70	178,493.54	183,848.35	189,363.80
2	Total annual expenses	9,960,144.62	10,216,399.92	10,480,341.88	10,752,202.68	11,032,219.64	11,320,636.60	11,617,705.37	11,923,687.14	12,238,848.71	12,563,464.04	12,897,818.58
2.1	Maintenance fee	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28
2.2	Management fee	517,080.55	532,592.96	548,570.75	565,027.87	581,978.71	599,438.08	617,421.22	635,943.85	655,022.17	674,672.83	694,913.02
2.3	Relevant taxes	7,512,775.14	7,742,245.02	7,978,599.20	8,222,043.88	8,472,791.99	8,731,062.59	8,997,081.22	9,271,080.35	9,553,299.60	9,843,985.27	10,143,391.62
2.4	Insurance premium	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66
2.5	Selling expenses	375,745.00	387,018.00	398,628.00	410,587.00	422,905.00	435,592.00	448,659.00	462,119.00	475,983.00	490,262.00	504,970.00
3	Net gain from property operations	27,755,279.83	28,630,486.66	29,531,951.65	30,460,459.41	31,416,822.56	32,401,877.27	33,416,483.91	34,461,527.56	35,537,922.83	36,646,610.31	37,788,558.21

No.	Year	October to										
		2045	2046	2047	2048	2049	2050	2051	2052	2053		
1	Total annual income	52,206,967.71	53,773,177.05	55,386,371.93	57,047,963.62	58,759,402.54	60,522,184.28	62,337,849.59	64,207,985.39	66,142,793.50	68,154,811.00	70,247,933.50
1.1	Potential gross rental income from the industrial plant	57,791,025.58	59,524,756.35	61,310,499.04	63,149,814.01	65,044,308.43	66,995,637.68	69,005,506.81	71,075,672.02	73,219,779.83	75,440,811.00	77,745,883.00
1.2	Estimated overall occupancy rate	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
1.3	Including: rental income under signed lease agreement	-	-	-	-	-	-	-	-	-	-	-
1.4	Estimated rental income of the industrial plant outside the contract period	52,011,923.00	53,572,281.00	55,179,449.00	56,834,833.00	58,539,878.00	60,296,074.00	62,104,956.00	63,968,105.00	65,896,276.00	67,897,467.00	69,979,869.00
1.5	Other income (interest on lease deposits)	195,044.71	200,896.05	206,922.93	213,130.62	219,524.54	226,110.28	232,893.59	239,880.39	247,067.00	254,464.00	262,169.50
2	Total annual expenses	13,242,203.39	13,596,920.43	13,962,277.69	14,338,596.75	14,726,205.65	15,125,442.21	15,536,656.03	15,960,205.72	16,407,679.00	16,867,600.00	17,350,600.00
2.1	Maintenance fee	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28	1,295,453.28
2.2	Management fee	715,760.41	737,233.22	759,350.22	782,130.73	805,594.65	829,762.49	854,655.36	880,295.02	907,710.00	936,000.00	965,280.00
2.3	Relevant taxes	10,451,780.05	10,769,420.26	11,096,589.54	11,433,574.08	11,780,668.06	12,138,174.79	12,506,406.74	12,885,685.76	13,276,920.00	13,681,200.00	14,098,500.00
2.4	Insurance premium	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66	259,090.66
2.5	Selling expenses	375,745.00	387,018.00	398,628.00	410,587.00	422,905.00	435,592.00	448,659.00	462,119.00	475,983.00	490,262.00	504,970.00
3	Net gain from property operations	38,964,764.32	40,176,256.63	41,424,094.24	42,709,366.87	44,033,196.89	45,396,742.07	46,801,193.55	48,247,779.68	49,739,114.50	51,279,264.00	52,868,333.50

In the table above, total annual income = potential gross rental income from the industrial plant x occupancy rate + other income (interest on lease deposits). Potential gross rental income from the industrial plant = contractual rental income + potential rental income from vacant properties and properties with expired leases. Considering that the current occupancy rate of the Pilot Base Plant is 38%, and in light of the expected progress of business solicitation of the project and the general situation of similar industrial parks in the market, as well as the fact that second floor of the Pilot Base Plant has a larger proportion of leasable area, in this valuation, we expect that the occupancy rate will reach 40% in 2023, 75% in 2024, 85% in 2025, and will enter a stable period in 2026 with an occupancy rate of 90%.

For the industrial plant property with signed lease agreement, the lease income for the future operating period is estimated based on the contractual rental income. Upon expiry of the property lease, the potential gross rental income is estimated based on the prevailing objective market rental level with an annual rental increment of 3%. The rental increment rate of the property is set at 3% mainly by taking into consideration that the target property is located in an industrial clustering with a strong industrial atmosphere and stable demand from the resident enterprises, and that the contractual rental growth rate of other similar properties in the area is generally around 3.0% per annum, which is basically in line with the average annual rental growth rate as stipulated in the currently signed lease agreement of Pilot Base Plant.

Of the property operating costs, maintenance fee and insurance premium were calculated at 0.5% and 0.1% respectively on the basis of the replacement cost of the buildings; management fee was calculated at 1.5% of the tax-exclusive rental income; selling expenses were calculated at 1% of (estimated annual rental income – rental income under signed lease agreement); and relevant taxes were mainly value-added tax and surcharges, property tax and stamp duty calculated in accordance with the prevailing tax policy.

Valuation Certificate – Dan Qing Garden Rental Housing

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
3. Rental Housing Project (Dan Qing Garden Buildings 1-11) on Collective Construction Land at Xicheng Village, Danzao Town, Nanhai District, Foshan City, Guangdong Province	<p>The properties comprise Dan Qing Garden Rental Housing Project (Lot No. 1) on Collective Construction Land at Xicheng Village, Danzao Town, Nanhai District. They were completed in 2023.</p> <p>The properties cover a total GFA of 101,644.74 sq.m., comprising GFA 10,340.22 sq.m. of leasable real estate for commercial use, 394 units of leasable residential suites (two bedrooms and one sitting room), 1,361 residential studio apartments and 376 basement car parking spaces.</p> <p>The use right of the land where the properties are located is obtained through lease, with a total of 1 land lease agreement signed. The leasehold land covers an area of 36,233.00 sq.m., of which 36,233.00 sq.m. can be used for construction. The tenure for the above leasehold land expires on 9 August 2051. It is agreed that the title of all buildings and other real estate (including water, high and low voltage power facilities and others) on the leasehold land shall be transferred to the land lessor or the third party designated by the land lessor at nil consideration upon the expiration of the tenure.</p> <p>The land is designated as commercial service land. The title registration of the buildings above the ground has not been completed. Pursuant to the land lease agreement, Guangdong Sino Rock Tyco Construction Co., Ltd. is entitled to lease and sublease the properties during the tenure.</p>	Not occupied	383,578,500.00

Notes:

- (1) The title registration of the properties has not been completed. The properties underwent the final completion acceptance of construction projects of Nanhai District, Foshan City on 15 May 2023 and passed the acceptance.
- (2) The registered constructor of the properties is Foshan City Nanhai District Danzao Town Xicheng Village Xicheng Joint Stock Economic Cooperation. It is the owner of the collective construction land where the properties are located. Guangdong Sino Rock Tyco Construction Co., Ltd. acquired the land use right through entering into a lease agreement with Foshan City Nanhai District Danzao Town Land Resources Development Co., Ltd. (佛山市南海區丹灶鎮土地資源開發公司). The leasehold land covers an area of 36,233.00 sq.m. The tenure for the land use right commences from 23 October 2018 and ends on 9 August 2051. The agreed land lease fee for the first year is RMB30,000 per mu per year which shall be increased by 8% every 3 years, while the land management fee is RMB1.3 per sq.m. per year which shall be increased by 8% every 3 years. This valuation does not take into account the expenses of land rent and land management fees in future cash flows.
- (3) The properties were appraised using the discounted cash flow approach and conditional upon Sino Rock's continual operating lease of the properties.

- (4) The discounted cash flow is calculated as:

$$\text{valuation of property interests} = \sum \frac{(\text{Net income from property operation for each year during the property operating period})}{(1 + \text{discounted rate})^{\text{Operating period}}}$$

The net operating income of the properties is calculated as the estimated rental income of the properties in the future operating period less the relevant operating costs. The discounted rate used in the valuation is 5%, primarily with reference to the general rate of return for leasing real estate of similar use in the local area. The operating period is from the Valuation Benchmark Date to the end of 2051 based on the remaining operating period of the leasehold land where the properties are located. The incremental rate of rent during the operating period is set at 3% per year according to the prevailing market conditions. Pursuant to the land lease agreement, the properties shall be transferred back at nil consideration upon the expiration of the operating period. Hence there shall be no recovery of residual value.

- (5) The properties have been completed, but according to the principal, the completion settlement of the properties has not been conducted, and the relevant construction costs have not been settled. Such costs have not been deducted from the valuation results.

- (6) The project is currently unleased. The expected rental income used in this valuation was calculated using the general market level, of which the estimated rental income for a leasable residential studio apartment is RMB850 per unit per month, the estimated rental income for a leasable residential suite (two bedrooms and one sitting room) is RMB1,330 per unit per month, the estimated rental income for a car parking space is RMB250 per unit per month, and the estimated unit price of the consolidated rental income for the commercial portion is approximately RMB54 per sq.m. per month.

We have conducted market research, inquiry and other procedures, and consulted mainstream local websites publishing information on real estate transactions. After due consideration with reference to the following market information, we have arrived at the objective market rental income for residential studio apartments in Dan Qing Garden Rental Housing:

Property	Residential	Residential	Parking Space
	Studio Apartment	Suite	
	(RMB per unit per month)	(RMB per unit per month)	(RMB per unit per month)
Guidan Yijing Garden, Danzao Town, Nanhai District	700-800	1,000-1,250	200-300
Xianhu Garden, Danzao Town, Nanhai District	750-850	1,100-1,300	200-300
Clifford Bayview, Danzao Town, Nanhai District	–	1,200-1,400	200-300

Source: 58.com, www.anjuke.com and field investigation

The first, second and fourth floors of the Dan Qing Garden project are for commercial use. The monthly rents of such commercial properties are arrived at with reference to the general monthly rents of commercial properties situated on low levels of residential buildings and by the roadside in the surrounding area. The specific market research information is shown in the table below:

Location	Monthly Unit Rent (RMB per sq.m. per month * GFA)
Roadside shops on the first floor of Jinsha Kanghe Comprehensive Market in Danzao Town	70-85
Commercial properties on the first floor of Jinbi Yin Hai Plaza in Danzao Town	70-80
Ground-floor shops on Jingang Road in Danzao Town	55-65
Ground-floor shops of Yiwanjia Guotai Plaza in Danzao Town	70-75
Ground-floor shops of Shanglin Yipin in Danzao Town	70-75

Source: 58.com, www.anjuke.com and field investigation

Based on the above market information, we have arrived at the average monthly rent of the ground-floor shops in Dan Qing Garden of RMB71 per sq.m. per month. Due to the limited rental cases of commercial properties on the second or higher floors in the surrounding area, the unit rents of commercial properties on the second and fourth floors are based on those on the first floor using certain discount rates in this valuation as shown in the table below:

	GFA (sq.m.)	Estimated Monthly Unit Rent (RMB per sq.m. per month * GFA)
Shops on the first floor of Dan Qing Garden	4,704.70	71.00
Shops on the second floor of Dan Qing Garden	5,162.39	41.00
Shops on the fourth floor of Dan Qing Garden	473.14	38.00
Comprehensive Unit Rent		54.51

APPENDIX I

PROPERTY VALUATION REPORT

(7) In this valuation, projections for the operating income, operating cost, occupancy rate and other data during the future operating period of the properties are as follows:

No.	Year	October to December									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1	Total annual income	1,757,193.57	18,858,289.38	23,906,508.48	27,701,666.15	28,532,716.95	29,388,697.88	30,270,358.76	31,178,469.45	32,113,823.93	33,077,238.23
1.1	Potential gross rental income from Dan Qing Garden	7,015,621.74	28,904,361.57	29,771,492.42	30,664,637.19	31,584,576.30	32,532,113.59	33,508,077.00	34,513,319.31	35,548,718.89	36,615,180.46
1.2	Occupancy rate	25%	65%	80%	90%	90%	90%	90%	90%	90%	90%
1.3	Other income (interest on lease deposits)	3,288.57	70,454.38	89,314.48	103,493.15	106,597.95	109,795.88	113,089.76	116,482.45	119,976.93	123,576.23
2	Total annual expenses	913,409.30	6,329,818.09	7,473,143.66	8,332,674.66	8,520,891.85	8,714,755.24	8,914,434.65	9,120,104.45	9,331,944.44	9,550,139.44
2.1	Maintenance fee and asset renewal expenditure	470,106.92	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69
2.2	Management fee	24,136.31	258,548.19	327,759.55	379,791.37	391,185.12	402,920.67	415,008.29	427,458.54	440,282.30	453,490.76
2.3	Relevant taxes	307,605.64	3,626,878.33	4,650,698.94	5,420,388.33	5,588,932.31	5,762,532.32	5,941,340.45	6,125,512.81	6,315,210.44	6,510,598.83
2.4	Insurance premium	94,021.38	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54
2.5	Selling expenses	17,539.05	187,878.35	238,171.94	275,981.73	284,261.19	292,789.02	301,572.69	310,619.87	319,938.47	329,536.62
3	Net gain from property operations	843,784.27	12,528,471.29	16,433,364.82	19,368,991.49	20,011,825.10	20,673,942.64	21,355,924.10	22,058,365.01	22,781,879.49	23,527,098.79

No.	Year	October to December									
		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
1	Total annual income	34,069,555.52	35,091,642.03	36,144,392.09	37,228,723.14	38,345,584.72	39,495,952.49	40,680,831.18	41,901,256.68	43,158,293.96	44,453,043.13
1.1	Potential gross rental income from Dan Qing Garden	37,713,635.87	38,845,044.95	40,010,396.29	41,210,708.18	42,447,029.43	43,720,440.31	45,032,053.52	46,383,015.13	47,774,505.58	49,207,740.75
1.2	Occupancy rate	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
1.3	Other income (interest on lease deposits)	127,283.52	131,102.03	135,035.09	139,086.14	143,258.72	147,556.49	151,983.18	156,542.68	161,238.96	166,076.13
2	Total annual expenses	9,774,880.43	10,006,363.57	10,244,791.43	10,490,371.78	10,743,319.68	11,003,856.08	11,272,208.56	11,548,611.71	11,833,306.74	12,126,542.79
2.1	Maintenance fee and asset renewal expenditure	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69
2.2	Management fee	467,095.49	481,108.35	495,541.61	510,407.85	525,720.08	541,491.69	557,736.44	574,468.54	591,702.59	609,453.67
2.3	Relevant taxes	6,711,848.99	6,919,136.60	7,132,643.02	7,352,554.33	7,579,063.11	7,812,367.21	8,052,670.41	8,300,182.81	8,555,120.37	8,817,706.22
2.4	Insurance premium	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54
2.5	Selling expenses	339,422.72	349,605.40	360,093.57	370,896.37	382,023.26	393,483.96	405,288.48	417,447.14	429,970.55	442,869.67
3	Net gain from property operations	24,294,675.09	25,085,278.45	25,899,600.66	26,738,351.36	27,602,265.05	28,492,096.40	29,408,622.62	30,352,644.96	31,324,987.22	32,326,500.34

No.	Year	October to December									
		2043	2044	2045	2046	2047	2048	2049	2050	2051	
1	Total annual income	45,786,634.41	47,160,233.16	48,575,039.87	50,032,291.14	51,533,259.75	53,079,257.58	54,671,635.69	56,311,784.27	58,000,589.68	
1.1	Potential gross rental income from Dan Qing Garden	50,683,972.97	52,204,492.16	53,770,626.92	55,383,745.73	57,045,258.10	58,756,615.85	60,519,314.32	62,334,893.75	64,198,868.29	
1.2	Occupancy rate	90%	90%	90%	90%	90%	90%	90%	90%	90%	
1.3	Other income (interest on lease deposits)	171,058.41	176,190.16	181,475.87	186,920.14	192,527.75	198,303.58	204,252.69	210,380.27	130,608.68	
2	Total annual expenses	12,428,575.84	12,739,669.82	13,060,096.62	13,390,136.30	13,730,077.13	14,080,216.22	14,440,859.56	14,812,322.00	8,749,967.34	
2.1	Maintenance fee and asset renewal expenditure	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	1,880,427.69	683,150.31	
2.2	Management fee	627,737.28	646,569.40	665,966.48	685,945.47	706,523.83	727,719.55	749,551.14	772,037.67	479,297.90	
2.3	Relevant taxes	9,088,169.57	9,366,746.76	9,653,681.27	9,949,223.89	10,253,632.75	10,567,173.90	10,890,121.36	11,222,757.07	7,012,547.62	
2.4	Insurance premium	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	376,085.54	226,681.69	
2.5	Selling expenses	456,155.76	469,840.43	483,935.64	498,453.71	513,407.32	528,809.54	544,673.83	561,014.04	348,289.81	
3	Net gain from property operations	33,358,058.57	34,420,563.34	35,514,943.25	36,642,154.84	37,803,182.62	38,999,041.36	40,230,776.13	41,499,462.26	26,209,622.34	

In the table above, total annual income = Potential gross rental income from Dan Qing Garden x occupancy rate + other income (interest on lease deposits). Considering that the Dan Qing Garden Rental Housing Project is expected to commence leasing out in October 2023, and in light of the expected progress of business solicitation of the project and the general occupancy of the surrounding residential communities, in this valuation, we expect that the average occupancy rate will reach 25% in October to December 2023, 65% in 2024, 80% in 2025, and will enter a stable period in 2026 with an occupancy rate of 90%. The project is surrounded by mature communities which have been delivered for many years and currently have a general occupancy rate of 70%-80%.

The rental increment rate of the property is set at 3% mainly by taking into consideration that the target property is located in an industrial clustering with a strong industrial atmosphere and certain demand for rental housing, and that the contractual rental growth rate of other residential properties in the area is generally around 3.0% per annum.

Of the property operating costs, maintenance fee and insurance premium were calculated at 0.5% and 0.1% respectively on the basis of the replacement cost of the buildings; management fee was calculated at 1.5% of the tax-exclusive rental income; selling expenses were calculated at 1% of (estimated annual rental income – rental income under signed lease agreement); and relevant taxes were mainly value-added tax and surcharges, property tax and stamp duty calculated in accordance with the prevailing tax policy.

Valuation Certificate – Xianhuwan Commercial Plaza

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
4. Xianhuwan Commercial Plaza Buildings C-D, Buildings A-B, and Building F (inclusive of the buildings and use rights of the land where they are located)	<p>The properties comprise Buildings A, B, C, D, E and F of Xianhuwan Commercial Plaza located at No. 3 Yangguang Road, Xianhu Resort Area, Danzao Town, Nanhai District, Foshan City, Guangdong Province, which were completed in 2014.</p> <p>The properties cover a total GFA of 28,552.74 sq.m., of which 12,334.79 sq.m. is for office use and 16,217.95 sq.m. is for hotel use.</p> <p>The title registration of the properties has been completed, with Foshan City Xianhuwan Development Co., Ltd. (佛山市仙湖灣置業有限公司) as the title owner, and the land is designated as commercial service land. The total site area is 9,981 sq.m., of which the area of the land on which Buildings A, B and C are located is 5,848.31 sq.m. with the land use right expiring on 27 November 2044, the area of the land where Building D is located is 1,545.28 sq.m. with the land use right expiring on 30 April 2045, the area of the land where Building E is located is 1,108.35 sq.m. with the land use right expiring on 16 December 2044, and the area of the land where Building D is located is 1,479.06 sq.m. with the land use right expiring on 15 November 2044.</p>	Buildings C, D and E are currently leased for office use, with an occupancy rate of 60% as at the Valuation Benchmark Date, and an average unit rent of approximately RMB31 per sq.m. per month.	151,372,400.00

Notes:

- (1) The registered title owner of the properties is Foshan City Xianhuwan Development Co., Ltd. (佛山市仙湖灣置業有限公司), which is a wholly-owned subsidiary of Guangdong Sino Rock Tyco Construction Co., Ltd.
- (2) As at the Valuation Benchmark Date, the leased GFA of the properties was 7,425.99 sq.m. (inclusive of the apportioned area), and the leasing status during the tenure was as follows:

Year	October to December					
	2023	2024	2025	2026	2027	2028
Contractual rental income (RMB10,000)	68.09	243.09	203.35	118.41	34.98	11.66
Expired Contractual GFA (sq.m.)	–	1,541.74	1,231.85	3,712.14	–	940.26

The lease agreements of such properties generally stipulate that the lease period is 5 years, and rent increase rate is generally 10% every 3 years.

- (3) The land where Xianhuwan Commercial Plaza is located is designated as state-owned commercial service land with a total area of 9,981 sq.m. The following cases of land market transactions were selected for comparative analysis and revision in this appraisal:

Project	Comparable case A	Comparable case B	Comparable case C
Name	Lot A to the south of Xiaping Road and to the west of Dongxin North Road, Guicheng Street, Nanhai District, Foshan City	NH-A-01-07-01, Nanhai District, Foshan City (Lot to the north of Chengye Building)	Lot 2 to the south of Hehu North Road and to the west of Yinghai Road, Yundonghai Street, Sanshui District, Foshan City
Sources	www.landchina.com	www.landchina.com	www.landchina.com
Location	Lot A to the south of Xiaping Road and to the west of Dongxin North Road, Guicheng Street, Nanhai District, Foshan City	NH-A-01-07-01, Nanhai District, Foshan City (Lot to the north of Chengye Building)	Lot 2 to the south of Hehu North Road and to the west of Yinghai Road, Yundonghai Street, Sanshui District, Foshan City
Transaction date	July 2023	January 2022	March 2023
Land use	Land – for commercial and financial use	Land – for commercial and financial use	Land – for commercial and financial use
Site area (sq.m.)	97,832,000	66,320,000	13,300,000
Unit	Buildable GFA (sq.m.)	Buildable GFA (sq.m.)	Buildable GFA (sq.m.)
Quantity (sq.m.)	55,460.45	30,989.59	5,318.33
Floor area price (RMB/sq.m.)	1,764.00	2,140.00	2,501.00

The above cases were selected based on the following screening criteria: 1) The statuses of land rights are comparable as the selected cases and the target land are all state-owned land use rights transferred; 2) The purposes of land planning are consistent as the selected cases and target land are all commercial land; 3) The transaction situations of land are similar as the selected cases are all transacted through open bidding, which gives a true picture of the land market; 4) The transaction dates of the cases are close to (i.e. no more than 3 years away from) the Valuation Benchmark Date; 5) The selected cases and the target land are located in the same or a similar commercial district with similar conditions.

The transaction information of cases disclosed above is in detail and accurate, and the number of comparable cases is sufficient and exhaustive.

Having taken into account the actual situation of the land parcel concerned, the average floor area price of the land parcel was RMB1,818 per sq.m. by making adjustments with respect to the location, physical condition and remaining tenure of the above cases, of which the magnitude of the adjustment of the location generally ranged from -15% to 15%, and the adjustment of the remaining tenure was made with reference to the land tenure amendment system in the benchmark price document published by Nanhai District, Foshan City. The reason for the considerable difference between the unit price of this valuation and the comparable cases is primarily attributable to the fact that the remaining tenure of the land parcel of Xianhuwan Commercial Plaza is only approximately 21 years, whereas the remaining tenure of the comparable cases in the above table was 40 years.

According to the 2020 Updated and Corrected System for Benchmark Prices of State-owned Construction Land in Nanhai District, Foshan City (《佛山市南海區2020年國有建設用地基準底價更新修正體系》), the land restoration rate for commercial service land is 7.17%. As the remaining useful lives of comparable cases are all 40 years, the correction coefficient of useful life of the target land

$$= \left[1 - \left(\frac{1}{1+7.17\%} \right)^{21} \right] \div \left[1 - \left(\frac{1}{1+7.17\%} \right)^{40} \right] \approx 0.8176.$$

- (4) The construction of Xianhuwan Commercial Plaza is valued using the “depreciated replacement cost” approach, which is calculated as the total current replacement cost of the building, less estimated depreciation. The total replacement cost of the property comprises the construction cost, pre-construction and other costs, capital costs and construction profit, of which the construction cost is estimated with reference to the construction cost of similar buildings to arrive at the construction cost per sq.m. The upfront cost rate includes the management fee, bidding agent fee, environmental impact assessment fee, survey and design fee, project supervision fee, infrastructure support fee and others of the construction unit, which is calculated with reference to the relevant local fee standards. The capital cost is calculated according to the 1-year construction cycle with reference to the LPR loan rate of 3.55% for the corresponding period, and the development profit is calculated at 8% with reference to the general level of the industry. The buildings have been in use for approximately 9.5 years and the remaining useful life of the buildings was approximately 21 years based on the shorter of the theoretical useful life of the buildings and the remaining useful life of the land. Based on the calculation of the building residue ratio = $\frac{\text{Remaining useful life of the buildings}}{(\text{Remaining useful life of the buildings} + \text{serviced life of the buildings})}$, it was concluded that the building residue ratio of the property was approximately 69%.

1) Building cost (B)

Buildings C, D and E of Xianhuwan Commercial Plaza are office buildings with a building cost of RMB3,075.00 per sq.m. (inclusive of VAT at a tax rate of 9%) with reference to the costs of similar office buildings in Foshan published on <http://www.gldzb.com>. Buildings A, B and F of Xianhuwan Commercial Plaza are hotel properties. According to the cost of similar hotel buildings of RMB5,240.00 per sq.m. (inclusive of VAT at a tax rate of 9%), the comprehensive cost of Xianhuwan Commercial Plaza is as follow:

Building	GFA (sq.m.)	Building Cost Inclusive of VAT (RMB per sq.m.)		Building Cost Exclusive of VAT (RMB per sq.m.)	
		Unit Price (RMB per sq.m.)	Total Price (RMB)	Unit Price (RMB per sq.m.)	Total Price (RMB)
AB	12,465.01	5,240.00	65,316,652.00	4,807.00	59,919,303.00
C	4,068.73	3,075.00	12,511,345.00	2,821.00	11,477,887.00
D	4,634.10	3,075.00	14,249,858.00	2,821.00	13,072,796.00
E	3,631.96	3,075.00	11,168,277.00	2,821.00	10,245,759.00
F	3,752.94	5,240.00	19,665,406.00	4,807.00	10,245,759.00
Total/Average	28,552.74	4,304.72	122,911,538.00	3,949.05	112,756,128.00

2) Pre-construction and other expenses (C)

Pre-construction and other expenses mainly comprise survey and design fees, engineering construction supervision fees, bidding agency service fees, and environmental impact consulting fees, calculated based on the building cost inclusive of VAT. Other expenses are urban supporting infrastructure fees, charged at RMB55 per sq.m. according to the standards published by the People's Government of Nanhai District, Foshan City. The specific rates and calculations are shown in the table below:

Project	Upfront Expenses = Σ(E1...En)	Basis for Calculation	Tax- inclusive Rate	Tax- exclusive Rate
1	Survey and design fees	Tax-inclusive building cost	0.68%	0.65%
2	Engineering construction supervision fees	Tax-inclusive building cost	0.76%	0.71%
3	Bidding agency service fees	Tax-inclusive building cost	0.13%	0.12%
4	Environmental impact consulting fees	Tax-inclusive building cost	0.05%	0.05%
Project	Others Expenses = Σ(F1...Fn)		Tax- inclusive Rate	Tax- exclusive Rate
5	Urban supporting infrastructure fees	GFA	55.00	55.00

Based on the above rates, the pre-construction and other expenses of Xianhuwan Commercial Plaza are calculated as follows:

Building	GFA (sq.m.)	Pre-construction and Other Expenses Inclusive of VAT (RMB per sq.m.)		Pre-construction and Other Expenses Exclusive of VAT (RMB per sq.m.)	
		Unit Price (RMB per sq.m.)	Total Price (RMB)	Unit Price (RMB per sq.m.)	Total Price (RMB)
AB	12,465.01	139.91	1,743,943.00	135.10	1,684,035.00
C	4,068.73	104.83	426,509.00	102.01	415,034.00
D	4,634.10	104.83	485,775.00	102.01	472,705.00
E	3,631.96	104.83	380,724.00	102.01	370,481.00
F	3,752.94	139.91	525,063.00	135.10	507,026.00
Total/Average	28,552.74	124.75	3,562,014.00	120.80	3,449,281.00

3) Management fees (D)

Management fee rate is set at 3%.

Housing and building management fees (D1) = (building cost (B) + pre-construction and other expenses (C)) * 3% = RMB5,890,684.00.

Real estate management fees (D2) = (land acquisition cost (A) + building cost (B) + pre-construction and other expenses (C)) * 3% = RMB8,371,042.00.

4) Capital cost (E)

Construction Period	Interest Rate	Capital Cost	
		Capital Cost for Housing and Building (E1)	Capital Cost for Real Estate Investment (E2)
1.00	3.55%	2,313,886.00	4,139,399.00

Capital cost for housing and building (E1) = pre-construction and other expenses (C) × normal construction period × annual loan interest rate + (building cost (B) + housing and building management fees (D1)) × normal construction period × annual loan interest rate × 50%

= RMB2,313,886.00

Capital cost for real estate investment (E2) = (land acquisition cost (A) + pre-construction and other expenses (C)) × annual loan interest rate × normal construction period + (building cost (B) + real estate management fees (D2)) × annual loan interest rate × normal construction period × 50%

= RMB4,139,399.00

5) Development profit (F)

As the profit/cost ratio of this valuation is set at 8.0% based on the purpose, construction scale, and supply and demand of real estate with similar purposes of the valued subject and with reference to the level of local construction industry:

Development profit for housing and building (F1) = (building cost (B) + pre-construction and other expenses (C) + housing and building management fees (D1) + capital cost for housing and building (E1)) × 8.00%

Development profit for real estate (F2) = (land acquisition cost (A) + building cost (B) + pre-construction and other expenses (C) + real estate management fees (D2) + capital cost for real estate investment (E2)) × 8.00%;

6) Replacement value of real estate, housing and building (I)

Based on the above predictions, appraisers use iterative methods to calculate the replacement values of real estate (inclusive of land) and the housing and building (exclusive of land) to be valued as follows:

Full replacement price of real estate (exclusive of tax) = land acquisition cost (A) + building cost (B) + pre-construction and other expenses (C) + real estate management fees (D2) + capital cost for real estate investment (E2) + development profit for real estate (F2) = RMB192,319,900.00

Full replacement price of housing and building (exclusive of tax) = building cost (B) + pre-construction and other expenses (C) + housing and building management fees (D1) + capital cost for housing and building (E1) + development profit for housing and building (F1) = RMB132,587,400.00

7) Building residue ratio

$$\text{Building residue ratio} = \frac{\text{Remaining useful life of the buildings}}{(\text{Remaining useful life of the buildings} + \text{serviced life of the buildings})} = \frac{21}{(9.5 + 2.1)} = 69\%$$

8) Appraisal value of real estate

Appraisal value of real estate to be valued using cost method = replacement value of real estate (inclusive of market price of land) – replacement value of housing and building × (1 – residue ratio) = RMB151,372,400.00 (rounded to the nearest hundred)

- (5) Buildings A, B, C, D, E and F of Xianhuwan Commercial Plaza were mortgaged to NRC Bank on 6 September 2019, and the maximum mortgage amount is RMB278,389,200.00 with the interest and expenses incurred based on the creditor's rights.
- (6) In the above valuation, the total value of land is RMB59,732,500.00, and the total value of buildings is RMB91,639,900.00.

**Valuation Certificate – Xianhuwan Commercial Plaza Exhibition Center
(Hydrogen Energy Exhibition Hall)**

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
5.	<p>Xianhuwan Commercial Plaza Exhibition Center (Hydrogen Energy Exhibition Hall)</p> <p>The property comprises the Hydrogen Energy Exhibition Hall at the Xianhuwan Commercial Plaza Exhibition Center located in Danzao Town, Nanhai District, Foshan City, Guangdong Province. The project was completed in 2020.</p> <p>The property covers a GFA of approximately 4,300 sq.m.</p> <p>The property is a public welfare ancillary facility showcasing the development of the hydrogen energy industry and has not been granted title to the property and the land on which it is located has not been granted title to the land.</p>	Free admission as a public welfare exhibition hall	0.00

Notes:

- (1) According to the instructions of Guangdong Sino Rock Tyco Construction Co., Ltd., the Hydrogen Energy Exhibition Hall is a property invested and constructed by Guangdong Sino Rock Tyco Construction Co., Ltd. as an ancillary facility after obtaining subsidies for the construction of the new energy industrial park, and was financed by its wholly-owned subsidiary Foshan City Xianhuwan Development Co., Ltd. (佛山市仙湖灣置業有限公司). However, the Company does not have any de facto control over the Hydrogen Energy Exhibition Hall and is not entitled to income from it. The property is a public welfare property, which is operated by the relevant government departments and does not generate any economic benefits for the Company.
- (2) According to the instructions of Guangdong Sino Rock Tyco Construction Co., Ltd., the title registration of the Hydrogen Energy Exhibition Hall has not yet been completed.
- (3) Guangdong Sino Rock Tyco Construction Co., Ltd. and Foshan City Xianhuwan Development Co., Ltd. (佛山市仙湖灣置業有限公司) have entered into the Agreement on the Free Use of the Xianhuwan Commercial Plaza Ancillary Land (《仙湖灣商業廣場配套用地免費使用協議》) with the People's Government of Danzao Town, Foshan City, Foshan City Nanhai District Danzao Town Land Resources Development Co., Ltd. (佛山市南海區丹灶鎮土地資源開發公司) and Foshan City Nanhai District Xianhu Resort Co., Ltd. (佛山市南海區仙湖旅遊度假有限公司), pursuant to which it is agreed that the land will be used free of charge as an ancillary land for the Xianhuwan Commercial Plaza on the premise that Sino Rock Tyco and Xianhuwan Development remained as publicly-owned (state-owned/township collectively owned) enterprises.

Valuation Certificate – (Right-of-use Assets of Lot Nos. 5-13)

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
6. Lot Nos. 5-13, Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City	<p>The leasehold land comprises Lot Nos. 5-13, Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City.</p> <p>The leasehold land with an aggregate area of 339,839.3 sq.m. was acquired by Guangdong Sino Rock Tyco Construction Co., Ltd. through entering into a lease agreement with Foshan City Nanhai District Danzao Town Land Resources Development Co., Ltd. (佛山市南海區丹灶鎮土地資源開發公司) expiring on 9 August 2051.</p> <p>The title owners of the leasehold land are Xicheng Joint Stock Economic Cooperation, Xicheng Village and Xiaoxing Joint Stock Economic Cooperation, Yinhe Village, Foshan City Nanhai District Danzao Town with nature of collective construction land for industrial use.</p>	Lot No. 13 with a planned GFA of 89,010.50 sq.m. has commenced construction and is currently under the preliminary land levelling stage, while Lot Nos. 5-12 have yet to commence construction.	336,690,600.00

Notes:

- (1) According to the information reported and supplied by the Company, in respect of Lot Nos. 5-12 (376.24 mu), Guangdong Sino Rock Tyco Construction Co., Ltd. has ceased to pay rent to the lessor since 2022 and the lessor may recover the right to lease of such land parcel in the future, but the parties have yet to enter into the relevant termination agreement. According to the Approval Form for Submission of Opinions by the Office of the CPC Foshan City Nanhai District Committee and the Office of the People's Government of Nanhai District, Foshan City (Report No.: Zong He San Gu 2022071), the Nanhai District Committee and the District Government will coordinate and arrange the replacement of Lot Nos. 5-12, and all parties have been actively communicating. However, relevant lease agreements have yet to be signed, and the future lease price for the new lease agreements to be entered into is not clear. This valuation does not take into account the impact of the aforementioned matters on the valuation.
- (2) Pursuant to the land lease agreement for the land parcel, the tenure commences from 1 May 2019 and ends on 9 August 2051, and the agreed land lease fee for the first year is RMB30,000 per mu per year (inclusive of VAT at a tax rate of 9%) which shall be increased by 8% every 3 years, while the land management fee is RMB1.3 per sq.m. per year (inclusive of VAT) which shall be increased by 8% every 3 years. The valuation conclusion does not include lease fees and management fees to be paid after the Valuation Benchmark Date.
- (3) The right-of-use assets of Lot Nos. 5-13 were appraised using the discounted cash flow approach and conditional upon Sino Rock's continual ownership of the right to the lease of the land parcel during the tenure.

- (4) The cash flows used in the valuation are the rent (exclusive of VAT) and land management fees as agreed in the land lease agreement, and the discounted rate used is calculated at Sino Rock's incremental borrowing rate of 5% with reference to the relevant accounting standards, which was discounted at the beginning of each year according to the time of payment of the lease fees.

- (5) The title of all buildings and other real estate (including water, high and low voltage power facilities and others) on the leasehold land shall be transferred to the land lessor or the third party designated by the land lessor at nil consideration upon the expiration of the tenure stipulated in the land lease agreement.

Valuation Certificate – (Right-of-use Assets of Lot No. 18)

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
7. Lot No. 18, Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City	<p>The leasehold land comprises Lot No. 18, Danzao Logistics Center, Danzao Town, Nanhai District, Foshan City.</p> <p>The leasehold land with an aggregate area of 97,742.40 sq.m. was acquired by Guangdong Sino Rock Tyco Construction Co., Ltd. through entering into a lease agreement with Foshan City Nanhai Lianyun Investment Co., Ltd. (佛山市南海聯運投資有限公司) expiring on 23 October 2051.</p> <p>The title owner of the leasehold land is Daxing Joint Stock Economic Cooperation, Yinhe Village, Danzao Town, Nanhai District, Foshan City, with nature of collective construction land for industrial use.</p>	Currently under the preliminary land development and levelling stage	99,050,900.00

Notes:

- (1) Pursuant to the land lease agreement for the land parcel, the tenure commences from 23 October 2018 and ends on 20 December 2051, and the agreed land lease fee for the first year is RMB30,000 per mu per year (inclusive of VAT) which shall be increased by 8% every 3 years, while the land management fee is RMB1.3 per sq.m. per year (inclusive of VAT) which shall be increased by 8% every 3 years. The valuation conclusion does not include lease fees and management fees to be paid after the Valuation Benchmark Date.
- (2) The title of all buildings and other real estate (including water, high and low voltage power facilities and others) on the leasehold land shall be transferred to the land lessor or the third party designated by the land lessor at nil consideration upon the expiration of the tenure stipulated in the land lease agreement.
- (3) The right-of-use assets of Lot No. 18 were appraised using the discounted cash flow approach and conditional upon Sino Rock's continual ownership of the right to the lease of the land parcel during the tenure.
- (4) The cash flows used in the valuation are the rent (exclusive of VAT) and land management fees as agreed in the land lease agreement, and the discounted rate used is calculated at Sino Rock's incremental borrowing rate of 5% with reference to the relevant accounting standards, which was discounted at the beginning of each year according to the time of payment of the lease fees.

Valuation Certificate – (Main Plant Construction in Progress on Lot No. 13)

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
8. Main Plant Construction in Progress on Lot No. 13	<p>The project is located on “Heng Ji Dang” Lot of Xiaoxing Joint Stock Economic Cooperation, Yinhe Village, Danzao Town, Nanhai District, Foshan City (Lot No. 13).</p> <p>The project has obtained a Construction Land Planning Permit, with Foshan City Nanhai District Danzao Town Yinhe Village Xiaoxing Joint Stock Economic Cooperation as the constructor, for industrial use with a construction land area of 89,010.5 sq.m.</p> <p>The project is currently under the preliminary investigation, design and levelling stage, with an overall scale of 86,531.74 sq.m., designed by Guangdong Sino Rock Tyco Construction Co., Ltd.</p>	Currently under the preliminary land development and levelling stage	15,137,400.00

Notes:

- (1) The project has obtained Construction Land Planning Permits (Permit No. “440605201780195”, “440605201800564” and “440605201800336”), with the owner of the collective construction land where the project is located as the constructor. Guangdong Sino Rock Tyco Construction Co., Ltd. acquired the use right of the construction land where the project is located through entering into a lease agreement with Foshan City Nanhai Lianyun Investment Co., Ltd. (佛山市南海聯運投資有限公司) expiring on 9 August 2051. Please refer to “Valuation Certificate – (Right-of-use Assets of Lot Nos. 5-13)” for details of the land.
- (2) According to the information supplied by Guangdong Sino Rock Tyco Construction Co., Ltd., the total construction cost to be invested for Main Plant Construction on Lot No. 13 is expected to be RMB243,000,000.00 (inclusive of VAT), and as at the Valuation Benchmark Date, the booked investment was approximately RMB15,137,400.00 (exclusive of VAT).
- (3) The property interests were appraised using the replacement cost approach for valuation and conditional upon the sustainable development and construction of the project and the investment by Sino Rock not being considered as an ineffective cost.
- (4) In adopting the replacement cost approach for valuation, we primarily verify the costs that have been accrued/paid by Sino Rock on the books of the construction in progress. Upon confirming the validity of such costs, the costs recorded on the books are regarded as the appraised value since the construction has not yet been completed and commissioned and our valuations have been carried out disregarding the depreciation of the buildings.
- (5) The project is expected to be completed in October 2024, and the estimated total cost of development and construction is RMB242,994,400 (exclusive of land rent and land management fees during the development period).

Valuation Certificate – Pilot Base Spare Plant Construction in Progress on Lot No. 18

Property	Description and Tenure	Particulars of Occupancy	Market Value in Present Condition as at 30 September 2023
9. Pilot Base Spare Plant Construction in Progress on Lot No. 18	<p>The project is located on “Keng Wai” Lot of Daxing Joint Stock Economic Cooperation, Yinhe Village, Danzao Town, Nanhai District (Lot No. 18).</p> <p>The project has obtained a Construction Land Planning Permit, with Foshan City Nanhai District Danzao Town Yinhe Village Daxing Joint Stock Economic Cooperation as the constructor, for logistics warehouse use with a construction land area of 97,742.4 sq.m.</p> <p>The project is currently under the preliminary investigation and design stage, with an overall scale of 55,373.33 sq.m., designed by Guangdong Sino Rock Tyco Construction Co., Ltd.</p>	Currently under the preliminary land development and levelling stage	3,502,000.00

Notes:

- (1) The project has obtained a Construction Land Planning Permit (Permit No. “440605201480219”), with the owner of the collective construction land where the project is located as the constructor. Guangdong Sino Rock Tyco Construction Co., Ltd. acquired the use right of the construction land where the project is located through entering into a lease agreement with Foshan City Nanhai Lianyun Investment Co., Ltd. (佛山市南海聯運投資有限公司) expiring on 20 December 2051. Please refer to “Valuation Certificate – (Right-of-use Assets of Lot No. 18)” for details of the land.
- (2) According to the information supplied by Guangdong Sino Rock Tyco Construction Co., Ltd., the total construction cost to be invested for Pilot Base Spare Plant Construction in Progress on Lot No. 18 is expected to be RMB159,000,000.00 (inclusive of VAT), and as at the Valuation Benchmark Date, the booked investment was approximately RMB3,502,000.00 (exclusive of VAT).
- (3) The property interests were appraised using the replacement cost approach for valuation and conditional upon the sustainable development and construction of the project and the investment by Sino Rock not being considered as an ineffective cost.
- (4) In adopting the replacement cost approach for valuation, we primarily verify the costs that have been accrued/paid by Sino Rock on the books of the construction in progress. Upon confirming the validity of such costs, the costs recorded on the books are regarded as the appraised value since the construction has not yet been completed and commissioned and our valuations have been carried out disregarding the depreciation of the buildings.
- (5) The project is expected to be completed in April 2025, and the estimated total cost of development and construction is RMB159,284,400 (exclusive of land rent and land management fees during the development period).

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 are disclosed in the following annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 respectively, and details of the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2023 are disclosed in the following interim report of the Company for the six months ended 30 June 2023, which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://chinainvestments.tonghair.com>):

- the annual report 2020 of the Company for the year ended 31 December 2020 which was published on 29 April 2021 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901219.pdf>), please refer to pages 75 to 273 in particular;
- the annual report 2021 of the Company for the year ended 31 December 2021 which was published on 28 April 2022 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802012.pdf>), please refer to pages 126 to 301 in particular;
- the annual report 2022 of the Company for the year ended 31 December 2022 which was published on 27 April 2023 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700579.pdf>), please refer to pages 131 to 309 in particular; and
- the interim report 2023 of the Company for the six months ended 30 June 2023 which was published on 20 September 2023 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0920/2023092000384.pdf>), please refer to pages 25 to 84 in particular.

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2023, the Group had outstanding interest bearing bank loans of approximately HK\$4,766,645,000 (comprising secured and guaranteed bank loans of approximately HK\$4,217,440,000 which were secured by the pledge of investment properties of HK\$353,190,000, plant, property and equipment of HK\$372,764,000, bank deposit of HK\$6,950,000, finance lease receivables and future interest receivable of HK\$3,239,639,000, paid-up capital of a non-wholly owned subsidiary of HK\$222,801,000 and a future rental receivable from the properties; and unsecured and unguaranteed bank loans of approximately HK\$549,205,000. Among such loans, a small number of them are having a maturity profile in the near term (maturing in 2023) and the rest are in the midterm (maturing in 2024, 2025 and 2026) to long term (maturing in 2027, 2028, 2029, 2035, 2037, 2038, 2043, 2046 and 2047).

The Group had unsecured and unguaranteed interest bearing loans from its immediate holding company and non-controlling interest of approximately HK\$136,000,000 and HK\$28,419,000 respectively, all of which will mature in 2024 and 2025. The Group also had unsecured and unguaranteed interest bearing loans from other independent third parties of approximately HK\$76,828,000. All loans will mature in 2024.

The Group had outstanding secured and guaranteed asset backed securities of approximately HK\$89,376,000 by the pledge of finance lease receivables and future interest receivable of HK\$125,226,000 and unsecured and guaranteed other bonds of approximately HK\$329,263,000.

In addition, the Group had unsecured and unguaranteed lease liabilities and outstanding convertible notes of approximately HK\$1,045,419,000 and aggregate principal amount of HK\$166,232,000 issued by the Company will mature on 13 October 2024 respectively.

Save as aforesaid or otherwise disclosed herein, as at the close of business on 30 November 2023, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66 (12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

The global economy remains unstable, and economic growth remains slow, while rate hikes dampened consumer spending and corporate investment, and threatened the stability of the financial system. With more economic uncertainties as a result of the war in Ukraine, the insufficient total demand in China, the new headwinds of economic restructuring and upgrading, the unsatisfactory operation of enterprises in various industries, the sluggishness of real estate development and construction, the Group is still committed to its strategic mission by proactively adjusting its deployment, cohesively pursuing its core business. The Group will constantly enhance its business activities, and steadily develop its business in elderly care and wellness, financial leasing, big data and civil explosives.

For our elderly care and wellness business, Guangdong Taoyuan Comprehensive Health Operation Company Limited (“**Taoyuan Comprehensive Health**”) will continue to consolidate its elderly care business and strengthen its principal business. The Group will strengthen the standard operation and branding of its elderly care business, proactively expand its asset-light trustee operation, increase the number of operating beds, and seize the opportunity to become the first echelon in the Guangdong-Hong Kong-Macao Greater Bay Area, and in this way, it will introduce long-term strategic investors whose business will mutually empower the Group. In terms of medical and care services integration, the Group has been promoting care service with medical service and assisting medical service with care service by establishing a rehabilitation hospital focusing on geriatrics and rehabilitation and building a regional medical and care service consortium with the People’s Hospital of the district. Our community care and household care business operations are based on the community-rooted Taoyuan Intelligent Recreation Port and are actively striving for market share. In addition, the Company is committed to serving the community while enabling our elderly care and wellness business to continue to grow and become an important contributor to the Company’s profitability by further improving management, reducing costs, increasing efficiency, enhancing the quality and strengthening service quality. The Group will aggressively explore opportunities to carry out investment and merger and acquisition of biopharmaceutical and high-tech enterprises or projects, in particular, with an emphasis on the elderly care business. The Company has been in preliminary discussions on projects that are expected to have good synergy value with the Group, such as the Group’s Taoyuan rehabilitation hospital and wellness elderly care businesses, including potential investment opportunities with (1) a hospital focusing on integrated medical treatment, prevention, health care, and rehabilitation services; (2) a tech-company focusing on the research and development and production of optical coherence tomography equipment and micro invasive glaucoma surgery catheter consumables; and (3) biopharmaceutical and rehabilitation equipment manufacturers specializing in wheelchairs, mobility aids and hospital beds, etc., which are commonly used rehabilitation equipment for the elderly. As the aforesaid projects are being considered by the Company at the preliminary discussion stage, such investments may or may not materialize and the Company will provide further business updates as and when appropriate.

For our big data business, the Group will continue its efforts to expand its market scale and accelerate the implementation of investments and acquisitions. The Group will continue to boost the scale of the identification application market by further solidifying its cooperation with ICT, FTU and operators, and actively striving for the construction of identification nodes and the declaration of special projects. The Group will also continue to make our service products the rigid demand of manufacturing enterprises and the government, create a quality manufacturing service brand and render “commonality” services to manufacturing enterprises as a collaborative partner, and promote the implementation of a new round of investment and acquisition projects. The Group will complete the launch of the new product DEMO and the Code for Success APP in light of the market demand and product feedback, and continue to diversify its product offering to promote the quality development of the Company. The Group will continue to be positioned as a first-class provider of industrial Internet platform services in the Guangdong-Hong Kong-Macao Greater Bay Area, actively engage in merger and acquisition initiatives and integration, and develop and become stronger in the tide of transformation and upgrading of Industry 4.0 in Nanhai, Foshan, the Guangdong-Hong Kong-Macao Greater Bay Area and in China.

For our financial leasing business, with the strategic goal of developing it into a leading domestic professional financial leasing company featuring environmental protection, the Group will continue to intensively tap into segments of the municipal environmental protection industry, vigorously tap into the upstream and downstream of its partners, and intensify its effort in the direct leasing business of environmental protection equipment and high-end equipment. To improve fund management, the Group will conduct effective management and replace existing high-cost financing to alleviate the pressure of concentrated repayment at maturity and the cost of funds; complete the rating of entities and strive to attain an AA rating after the completion of industrial and commercial changes. The Group will further strengthen its risk control management to mitigate the risk of doubtful debts and strive to attain an A rating for the annual classified supervisory rating.

For our civil explosives business, the Group will further pursue key reforms, actively carry out the technological transformation of clean energy to achieve energy conservation, emission reduction and cost reduction, and carry out reforms in operation and human resources management to continuously enhance the vitality of the Group’s development. The Group has made every effort to complete creating conditions for the release of mixed assembly capacity and to establish cooperation in the operation of mixed assembly capacity, so as to substantially improve its future performance and contribute steady revenue streams to the Group in the future.

HISTORICAL FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

Set out below are the historical financial information of Sino Rock Tyco Group which comprise the unaudited consolidated statements of financial position of Sino Rock Tyco Group as at 31 December 2020, 2021 and 2022 and 30 June 2023, the unaudited consolidated statements of profit or loss and other comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 (collectively, the “**Disposal Group Financial Information**”).

The Disposal Group Financial Information has been prepared and presented in accordance with the basis of preparation set out in note 2 to the Disposal Group Financial Information of this circular and has been prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal. HLM CPA Limited, the reporting accountant of the Company, was engaged to review the Disposal Group Financial Information of this circular in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by the HKICPA.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion on the Disposal Group Financial Information.

Based on the review of the Disposal Group Financial Information, nothing has come to the reporting accountant’s attention that causes them to believe the Disposal Group Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 to the Disposal Group Financial Information.

APPENDIX III FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

A. UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended			Six months ended	
	31 December 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (unaudited)	30 June 2023 <i>HK\$'000</i> (unaudited)	30 June 2022 <i>HK\$'000</i> (unaudited)
Revenue	82,555	31,093	1,286	48,047	40,390
Cost of sales and services	<u>(48,411)</u>	<u>(22,809)</u>	<u>(3,781)</u>	<u>(24,627)</u>	<u>(20,249)</u>
	34,144	8,284	(2,495)	23,420	20,141
Other operating income	102,463	115,261	134,598	50,380	59,278
Selling and distribution costs	(860)	(1,300)	(376)	(234)	(443)
Administrative expenses	(44,579)	(44,272)	(80,621)	(21,884)	(20,997)
Share of profit of an associate	30,962	–	–	21,616	7,186
Loss on disposal of interests in an associate	–	–	–	(19,802)	–
(Decrease)/increase in fair value of investment properties	(711)	(393)	49	–	–
Increase/(decrease) in fair value of financial assets at fair value through profit or loss	–	235	(81)	–	–
Finance costs	<u>(78,963)</u>	<u>(64,528)</u>	<u>(67,704)</u>	<u>(40,125)</u>	<u>(38,435)</u>
Profit/(loss) before taxation	42,456	13,287	(16,630)	13,371	26,730
Income tax expense	<u>(4,362)</u>	<u>(1,908)</u>	<u>(4,117)</u>	<u>(66)</u>	<u>(4,058)</u>
Profit/(loss) for the year/period	<u>38,094</u>	<u>11,379</u>	<u>(20,747)</u>	<u>13,305</u>	<u>22,672</u>
Other comprehensive income/(expense), net of income tax:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	(48,871)	37,114	64,887	(51,438)	(27,366)
Share of exchange differences of an associate	<u>(42,941)</u>	<u>–</u>	<u>–</u>	<u>533</u>	<u>(26,411)</u>
Other comprehensive income/(expense), net of income tax	<u>(91,812)</u>	<u>37,114</u>	<u>64,887</u>	<u>(50,905)</u>	<u>(53,777)</u>
Total comprehensive income/(expense)	<u>(53,718)</u>	<u>48,493</u>	<u>44,140</u>	<u>(37,600)</u>	<u>(31,105)</u>
Profit/(loss) for the year/period attributable to:					
Owners of the Company	27,428	8,193	(14,938)	9,578	16,324
Non-controlling interests	<u>10,666</u>	<u>3,186</u>	<u>(5,809)</u>	<u>3,727</u>	<u>6,348</u>
	<u>38,094</u>	<u>11,379</u>	<u>(20,747)</u>	<u>13,305</u>	<u>22,672</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company	(38,677)	34,914	26,875	(27,073)	(22,395)
Non-controlling interests	<u>(15,041)</u>	<u>13,579</u>	<u>17,265</u>	<u>(10,527)</u>	<u>(8,710)</u>
	<u>(53,718)</u>	<u>48,493</u>	<u>44,140</u>	<u>(37,600)</u>	<u>(31,105)</u>

APPENDIX III FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

B. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 30 June	At 31 December		
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Non-current asset				
Investment properties	820,693	821,521	510,655	110,843
Property, plant and equipment	611,571	628,305	876,684	692,929
Interests in an associate	–	470,895	–	–
Financial assets at fair value through profit or loss	–	–	1,309	1,034
Rental deposits	5,546	5,668	5,855	4,821
Right-of-use assets	849,534	905,513	1,016,111	1,014,232
Deductible value added tax	–	–	56,100	–
	<u>2,287,344</u>	<u>2,831,902</u>	<u>2,466,714</u>	<u>1,823,859</u>
Current assets				
Inventories	602	460	500	461
Trade receivables and other receivables	37,796	42,390	13,641	53,743
Amount due from an associate	–	22,440	–	–
Amount due from fellow subsidiaries	294,233	69,591	286,393	292,649
Cash and bank balances	454,750	245,347	240,024	423,474
	<u>787,381</u>	<u>380,228</u>	<u>540,558</u>	<u>770,327</u>
Current liabilities				
Trade payables and other payables	34,242	36,269	35,537	5,343
Amount due to fellow subsidiaries	–	–	464	15,439
Lease liabilities	49,343	51,910	52,633	50,350
Borrowings	17,104	16,219	5,390	4,751
Tax payable	–	2,115	–	4,750
	<u>100,689</u>	<u>106,513</u>	<u>94,024</u>	<u>80,633</u>
Net current assets	<u>686,692</u>	<u>273,715</u>	<u>446,534</u>	<u>689,694</u>
Total assets less current liabilities	<u>2,974,036</u>	<u>3,105,617</u>	<u>2,913,248</u>	<u>2,513,553</u>
Non-current liabilities				
Deferred income	168,868	215,049	204,712	73,489
Lease liabilities	953,711	1,010,185	1,083,086	1,041,939
Borrowings	780,324	771,650	462,999	284,167
	<u>1,902,903</u>	<u>1,996,884</u>	<u>1,750,797</u>	<u>1,399,595</u>
NET ASSETS	<u>1,071,133</u>	<u>1,108,733</u>	<u>1,162,451</u>	<u>1,113,958</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	774,711	774,711	774,711	774,711
Reserve	(3,496)	23,577	62,254	27,340
	<u>771,215</u>	<u>798,288</u>	<u>836,965</u>	<u>802,051</u>
Equity attributable to owners of the Company	771,215	798,288	836,965	802,051
Non-controlling interests	299,918	310,445	325,486	311,907
	<u>299,918</u>	<u>310,445</u>	<u>325,486</u>	<u>311,907</u>
Total equity	<u>1,071,133</u>	<u>1,108,733</u>	<u>1,162,451</u>	<u>1,113,958</u>

APPENDIX III FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

C. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000 (unaudited)	Exchange reserve HK\$'000 (unaudited)	Retained earnings HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non- controlling interests HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 January 2020	774,711	(39,245)	39,710	775,176	294,642	1,069,818
(Loss) for the year	–	–	(14,938)	(14,938)	(5,809)	(20,747)
Other comprehensive (expense)/income for the year						
– Exchange differences arising on translation of foreign operations	–	41,813	–	41,813	23,074	64,887
Total comprehensive (expense)/income for the year	–	41,813	(14,938)	26,875	17,265	44,140
At 31 December 2020 and 1 January 2021	774,711	2,568	24,772	802,051	311,907	1,113,958
Profit for the year	–	–	8,193	8,193	3,186	11,379
Other comprehensive (expense)/income for the year						
– Exchange differences arising on translation of foreign operations	–	26,721	–	26,721	10,393	37,114
Total comprehensive (expense)/income for the year	–	26,721	8,193	34,914	13,579	48,493
At 31 December 2021 and 1 January 2022	774,711	29,289	32,965	836,965	325,486	1,162,451
Profit for the year	–	–	27,428	27,428	10,666	38,094
Other comprehensive (expense)/income for the year						
– Exchange differences arising on translation of foreign operations	–	(23,164)	–	(23,164)	(25,707)	(48,871)
– Share of exchange differences of an associate	–	(42,941)	–	(42,941)	–	(42,941)
Total comprehensive (expense)/income for the year	–	(66,105)	27,428	(38,677)	(15,041)	(53,718)
At 31 December 2022 and 1 January 2023	774,711	(36,816)	60,393	798,288	310,445	1,108,733
Profit for the period	–	–	9,578	9,578	3,727	13,305
Other comprehensive (expense)/income for the period						
– Exchange differences arising on translation of foreign operations	–	(37,184)	–	(37,184)	(14,254)	(51,438)
– Share of exchange differences of an associate	–	533	–	533	–	533
Total comprehensive (expense)/income for the period	–	(36,651)	9,578	(27,073)	(10,527)	(37,600)
At 30 June 2023	<u>774,711</u>	<u>(73,467)</u>	<u>69,971</u>	<u>771,215</u>	<u>299,918</u>	<u>1,071,133</u>

APPENDIX III FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

	Share capital	Exchange reserve	Retained earnings	Total	Non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2022	774,711	29,289	32,965	836,965	325,486	1,162,451
Profit for the period	–	–	16,324	16,324	6,348	22,672
Other comprehensive income/(expense) for the period						
– Exchange differences arising on translation of foreign operations	–	(12,308)	–	(12,308)	(15,058)	(27,366)
– Share of exchange differences of an associate	–	(26,411)	–	(26,411)	–	(26,411)
	<u>–</u>	<u>(26,411)</u>	<u>–</u>	<u>(26,411)</u>	<u>–</u>	<u>(26,411)</u>
Total comprehensive income/(expense) for the period	<u>–</u>	<u>(38,719)</u>	<u>16,324</u>	<u>(22,395)</u>	<u>(8,710)</u>	<u>(31,105)</u>
At 30 June 2022	<u>774,711</u>	<u>(9,430)</u>	<u>49,289</u>	<u>814,570</u>	<u>316,776</u>	<u>1,131,346</u>

APPENDIX III FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

D. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended			Six months ended	
	31 December 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)
Cash flows from operating activities					
Profit/(loss) for the year/period	38,094	11,379	(20,747)	13,305	22,672
Adjustment for:					
Allowance for expected credit losses on trade receivables	–	–	–	1,321	–
Bank interest income	(2,746)	(3,303)	(11,672)	(1,152)	(1,576)
Finance costs	78,963	64,528	67,704	40,125	38,435
Income tax expense	4,362	1,908	4,117	66	4,058
Decrease/(increase) in fair value of investment properties	711	393	(49)	–	–
Decrease/(increase) in fair value of financial assets at fair value through profit or loss	–	(235)	81	–	–
Interest income from rental deposits	(278)	(271)	(217)	(142)	(302)
Interest income from wealth management product	–	(284)	–	–	–
Depreciation of property, plant and equipment	8,557	4,228	652	4,154	4,262
Depreciation of right-of-use assets	32,145	33,283	31,024	15,636	16,675
Rental concession	–	–	(5,085)	–	–
Gain on disposal of financial assets at fair value through profit or loss	(207)	–	–	–	–
Share of profit of an associate	(30,962)	–	–	(21,616)	(7,186)
Loss on disposal of interests in an associate	–	–	–	19,802	–
Net exchange (gain)/loss	(1)	547	(3,316)	1,548	–
Operating cash flow before movements in working capital	128,638	112,173	62,492	73,047	77,038
Decrease/(increase) in rental deposit in respect of right-of-use assets	–	(2,650)	2,472	–	–
Decrease/(increase) in inventories	1	(23)	(436)	(170)	(5)
Decrease/(increase) in trade receivable and other receivable	22,544	(13,959)	85	1,480	(26,615)
Decrease/(increase) in amount due from an associate	(23,094)	–	–	22,466	(82,861)
Decrease/(increase) in amount due from fellow subsidiaries	200,107	15,662	(37,168)	(33,997)	281,897
Increase/(decrease) in trade and other payables	3,608	29,475	3,039	(399)	(8,047)
Increase/(decrease) in amount due to fellow subsidiaries	(440)	(15,207)	11,236	–	(105)
Increase/(decrease) in deferred income	27,081	126,461	69,526	(38,202)	56,741
Cash generated from operations	358,445	251,932	111,246	24,225	298,043
Tax paid	(2,186)	(6,727)	(12,910)	(2,183)	(2,268)

APPENDIX III FINANCIAL INFORMATION OF SINO ROCK TYCO GROUP

	For the year ended			Six months ended	
	31 December 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)	30 June 2022 HK\$'000 (unaudited)
Net cash generated from operating activities	<u>356,259</u>	<u>245,205</u>	<u>98,336</u>	<u>22,042</u>	<u>295,775</u>
Cash flows from investing activities					
Interest received	5,092	3,587	11,672	1,152	1,576
Investment in an associate	(508,314)	–	–	–	(508,314)
Dividend received from an associate	23,094	–	–	2,446	7,875
Proceeds from disposal of financial assets at fair value through profit or loss	1,449	–	–	–	–
Proceeds from disposal of interests in an associate	–	–	–	265,901	–
Purchase of plant and equipment	<u>(185,012)</u>	<u>(551,495)</u>	<u>(437,639)</u>	<u>(54,697)</u>	<u>(108,913)</u>
Net cash generated from/(used in) investing activities	<u>(663,691)</u>	<u>(547,908)</u>	<u>(425,967)</u>	<u>214,802</u>	<u>(607,776)</u>
Cash flows from financing activities					
Interest paid on borrowings	(22,112)	(9,300)	(7,145)	(12,360)	(9,770)
Payment of handling fee	(3,350)	–	(9,526)	(1,933)	(1,159)
Payments of lease liabilities	(37,985)	(48,186)	(42,004)	(37,229)	(39,407)
Repayment of borrowings	(5,341)	(4,819)	–	(7,078)	(2,416)
Proceeds from borrowings	<u>371,744</u>	<u>171,648</u>	<u>141,225</u>	<u>54,578</u>	<u>340,148</u>
Net cash generated from/(used in) financing activities	<u>302,956</u>	<u>109,343</u>	<u>82,550</u>	<u>(4,022)</u>	<u>287,396</u>
Net increase/(decrease) in cash and cash equivalents	<u>(4,476)</u>	<u>(193,360)</u>	<u>(245,081)</u>	<u>232,822</u>	<u>(24,605)</u>
Cash and cash equivalents at the beginning of the year/period	<u>240,024</u>	<u>423,474</u>	<u>639,525</u>	<u>245,347</u>	<u>240,024</u>
Effect of foreign exchange rate changes	<u>9,799</u>	<u>9,910</u>	<u>29,030</u>	<u>(23,419)</u>	<u>744</u>
Cash and cash equivalents at the end of the year/period	<u><u>245,347</u></u>	<u><u>240,024</u></u>	<u><u>423,474</u></u>	<u><u>454,750</u></u>	<u><u>216,163</u></u>

NOTES**1. GENERAL INFORMATION**

China Investments Holdings Limited (“**the Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate holding company is Prize Rich Inc., which was incorporated in the British Virgin Islands and the ultimate holding company is the Purchaser, which was incorporated in the People’s Republic of China (“**the PRC**”). The address of the registered office of the Company is Clarendon House 2, Church Street Hamilton, HM 11, Bermuda, and its principal place of business of the Company is Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong.

Guangdong Sino Rock Tyco Construction Co., Ltd. (“**Sino Rock Tyco**”), is a limited liability company established in the PRC on 17 November 2017 and a non-wholly owned subsidiary of the Company (together with its subsidiaries referred to as “**Sino Rock Tyco Group**”). The address of the registered office of Sino Rock Tyco is Unit 105, No. 3 Jinfu Road, Nanhai National Ecological Industrial Demonstration Park, Danzao Town, Nanhai District, Foshan City, Guangdong Province, the PRC. Sino Rock Tyco is principally engaged in property investment, development, construction, operation and management.

2. BASIS OF PREPARATION

The Financial Information of Sino Rock Tyco has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of 72% equity interest in Sino Rock Tyco in accordance with Rule 14.68(2)(a)(i) of the Listing Rules and in accordance with the relevant accounting policies adopted by the Company as set out in its annual reports for the years ended 31 December 2020, 2021 and 2022 and its interim report for the six months ended 30 June 2023, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Directors have a reasonable expectation that Sino Rock Tyco as well as Sino Rock Tyco Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023.

The Financial Information of Sino Rock Tyco has been prepared under the historical cost convention. The Historical Financial Information of Sino Rock Tyco does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” nor an complete condensed interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and that it should be read in connection with the relevant published annual financial statements of the Company.

The Financial Information is presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company, and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**1. Introduction**

The following is a summary of illustrative unaudited pro forma financial information consisting of the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and the unaudited pro forma consolidated statement of cash flows, in connection with the proposed disposal (the “**Disposal**”) of 72% equity interest in Sino Rock Tyco (the “**Target Company**”), an indirect non-wholly owned subsidiary of the Company and its subsidiaries (the “**Target Group**”).

The unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited proforma consolidated statement of cash flows of the Company and its subsidiaries (collectively referred to as the “**Group**”) immediately after completion of the Disposal (collectively referred to as the “**Remaining Group**”) have been prepared to illustrate the effect of the Disposal on the Group’s financial position as at 30 June 2023 and the Group’s financial performance and cash flows for the year ended 31 December 2022 as if the Disposal had taken place on 30 June 2023 and 1 January 2022, respectively.

The unaudited pro forma financial information is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2023 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2022 as extracted from the published interim report and annual report of the Company for the six months ended 30 June 2023 and for the year ended 31 December 2022 respectively; and (ii) the unaudited statement of financial position of the Target Group as at 30 June 2023, the unaudited statement of profit or loss and other comprehensive income and the unaudited statement of cash flows of the Target Group for the year ended 31 December 2022 as extracted from the unaudited financial statements of Sino Rock Tyco Group set out in Appendix III to this circular.

The unaudited pro forma financial information of the Remaining Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Disposal that are (i) directly attributable to the Disposal; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Remaining Group has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraph 4.29(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Remaining Group may not purport to predict what the financial performance and cash flows or financial position of the Remaining Group would have been if the Disposal had been completed on 1 January 2022, or 30 June 2023 nor in any future period or on any future dates.

The unaudited pro forma financial information should be read in conjunction with the published interim report of the Group for the six months ended 30 June 2023 and the published annual report of the Group for the year ended 31 December 2022 and the historical financial information of the Target Group as set out in Appendix III to this circular and other financial information included elsewhere in this circular.

2. Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as at 30 June 2023

	Unaudited pro forma adjustments in respect of the Proposed Disposal				Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2023 HK\$'000
	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 HK\$'000 (Note 1(a))	Exclusion of of assets and liabilities of the Target Group as at 30 June 2023 HK\$'000 (Note 2)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 3)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 4)	
Non-current assets					
Investment properties	1,055,175	(820,693)	–	–	234,482
Property, plant and equipment	1,176,884	(611,571)	–	–	565,313
Goodwill	123,596	–	–	–	123,596
Intangible assets	4,402	–	–	–	4,402
Interests in an associate	519,755	–	–	–	519,755
Financial assets at fair value through profit or loss	87,708	–	(85,821)	–	1,887
Finance lease receivables	3,062,221	–	–	–	3,062,221
Rental deposits	5,546	(5,546)	–	–	–
Right-of-use assets	910,924	(849,534)	–	–	61,390
Deferred tax assets	15,960	–	–	–	15,960
	<u>6,962,171</u>	<u>(2,287,344)</u>	<u>(85,821)</u>	<u>–</u>	<u>4,589,006</u>
Current assets					
Inventories	6,245	(602)	–	–	5,643
Finance lease receivables	1,192,877	–	–	–	1,192,877
Trade and other receivables	149,106	(37,796)	–	–	111,310
Amounts due from fellow subsidiaries	–	(294,233)	294,233	–	–
Pledged bank deposits	6,975	–	–	–	6,975
Cash and bank balances	1,300,322	(454,750)	63,297	(32,409)	876,460
	<u>2,655,525</u>	<u>(787,381)</u>	<u>357,530</u>	<u>(32,409)</u>	<u>2,193,265</u>

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UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP

	Unaudited pro forma adjustments in respect of the Proposed Disposal				Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2023 HK\$'000
	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 HK\$'000 (Note 1(a))	Exclusion of of assets and liabilities of the Target Group as at 30 June 2023 HK\$'000 (Note 2)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 3)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 4)	
Current liabilities					
Trade and other payables	201,732	(34,242)	-	-	167,490
Tax payables	17,024	-	-	-	17,024
Deposits received from customers	10,884	-	-	-	10,884
Lease liabilities	49,621	(49,343)	-	-	278
Borrowings	2,113,696	(17,104)	(703,094)	-	1,393,498
	<u>2,392,957</u>	<u>(100,689)</u>	<u>(703,094)</u>	<u>-</u>	<u>1,589,174</u>
Net current assets	<u>262,568</u>	<u>(686,692)</u>	<u>1,060,624</u>	<u>(32,409)</u>	<u>604,091</u>
Total assets less current liabilities	<u>7,224,739</u>	<u>(2,974,036)</u>	<u>974,803</u>	<u>(32,409)</u>	<u>5,193,097</u>
Capital and reserves					
Share capital	171,233	(1,078,432)	1,078,432	-	171,233
Reserves	765,428	7,299	196,289	(32,409)	936,607
Equity attributable to owners of the Company	936,661	(1,071,133)	1,274,721	(32,409)	1,107,840
Non-controlling interests	1,037,543	-	(299,918)	-	737,625
Total Equity	<u>1,974,204</u>	<u>(1,071,133)</u>	<u>974,803</u>	<u>(32,409)</u>	<u>1,845,465</u>
Non-current liabilities					
Borrowings	3,723,217	(780,324)	-	-	2,942,893
Convertible notes	151,423	-	-	-	151,423
Deferred income	183,987	(168,868)	-	-	15,119
Deferred tax liabilities	53,553	-	-	-	53,553
Deposits received from customers	184,379	-	-	-	184,379
Lease liabilities	953,976	(953,711)	-	-	265
	<u>5,250,535</u>	<u>(1,902,903)</u>	<u>-</u>	<u>-</u>	<u>3,347,632</u>
	<u>7,224,739</u>	<u>(2,974,036)</u>	<u>974,803</u>	<u>(32,409)</u>	<u>5,193,097</u>

3. Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group for the year ended 31 December 2022

	Unaudited pro forma adjustments in respect of the Proposed Disposal					Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 4)
	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022 HK\$'000 (Note 1(b))	Exclusion of the results of the Target Group for the year ended 31 December 2022 HK\$'000 (Note 6)	Adjustment for the intra-group transaction between the Target Group and Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 7)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 8)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 4)	
Continuing operations						
Revenue	767,632	(82,555)	254	-	-	685,331
Cost of sales and services	(477,590)	48,411	-	-	-	(429,179)
Gross profit	290,042	(34,144)	254	-	-	256,152
Other operating income	149,336	(102,463)	4,651	-	-	51,524
Selling and distribution costs	(11,732)	860	-	-	-	(10,872)
Administrative expenses	(220,011)	44,579	(546)	-	(2,450)	(178,428)
Gain on disposal of the Target Group	-	-	-	264,619	-	264,619
Loss on derecognition of financial assets at fair value through profit or loss	-	-	-	(54,868)	-	(54,868)
Share of profit of an associate	4,727	(30,962)	30,962	-	-	4,727
(Decrease)/increase in fair value of investment properties	(711)	711	-	-	-	-
Increase/(decrease) in fair value of financial assets at fair value through profit or loss	39,907	-	-	(40,456)	-	(549)
Allowance for expected credit losses on finance lease receivables	(35,669)	-	-	-	-	(35,669)
Finance costs	(131,447)	78,963	-	-	-	(52,484)
Profit before taxation	84,442	(42,456)	35,321	169,295	(2,450)	244,152
Income tax expense	(41,615)	4,362	-	-	(29,959)	(67,212)
Profit for the year from continuing operations	42,827	(38,094)	35,321	169,295	(32,409)	176,940

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<u>Unaudited pro forma adjustments in respect of the Proposed Disposal</u>					
Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022 <i>HK\$'000</i> <i>(Note 1(b))</i>	Exclusion of the results of the Target Group for the year ended 31 December 2022 <i>HK\$'000</i> <i>(Note 6)</i>	Adjustment for the intra-group transaction between the Target Group and Remaining Group for the year ended 31 December 2022 <i>HK\$'000</i> <i>(Note 7)</i>	Recognition of impact on consideration and estimated profit on the Proposed Disposal <i>HK\$'000</i> <i>(Note 8)</i>	Estimated costs and expenses in respect of the Proposed Disposal <i>HK\$'000</i> <i>(Note 4)</i>	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 December 2022 <i>HK\$'000</i>
Discontinued operation					
Loss for the year from discontinued operation	(3)	-	-	-	(3)
Profit for the year	42,824	(38,094)	35,321	(32,409)	176,937
Other comprehensive (expense)/income, net of income tax					
<i>Items that will not be reclassified to profit or loss:</i>					
Deficit on revaluation of hotel properties	(4,884)	-	-	-	(4,884)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	(187,623)	48,871	-	(29,289)	(168,041)
Reclassification of other reserves upon Disposal	-	-	-	(8,927)	(8,927)
Share of exchange differences of an associate	(43,534)	42,941	(42,941)	-	(43,534)
Other comprehensive (expense)/income, net of income tax	(236,041)	91,812	(42,941)	(38,216)	(225,386)
Total comprehensive (expense)/income for the year	(193,217)	53,718	(7,620)	(32,409)	(48,449)

4. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 December 2022

	Unaudited pro forma adjustments in respect of the Proposed Disposal					Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 4)
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 HK\$'000 (Note 1(b))	Exclusion of the cash flows of the Target Group for the year ended 31 December 2022 HK\$'000 (Note 6)	Adjustment for the intra-group transaction between the Target Group and Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 7)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 8)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 4)	
Operating activities						
Profit for the year	42,824	(38,094)	35,321	169,295	(32,409)	176,937
Adjustments for:						
Bank interest income	(10,966)	2,746	-	-	-	(8,220)
Finance costs	131,447	(78,963)	-	-	-	52,484
Income tax expense	41,615	(4,362)	-	-	29,959	67,212
Decrease/(increase) in fair value of investment properties	711	(711)	-	-	-	-
(Increase)/decrease in fair value of financial assets at fair value through profit or loss	(39,907)	-	-	40,456	-	549
Interest income from financial leasing	(229,180)	-	-	-	-	(229,180)
Effective interest income from rental deposits	(278)	278	-	-	-	-
Share of profit of an associate	(4,727)	30,962	(30,962)	-	-	(4,727)
Net loss on disposal of property, plant and equipment	3,098	-	-	-	-	3,098
Gain on disposal of financial assets at fair value through profit or loss	(3,922)	207	-	-	-	(3,715)
Gain on disposal of the Target Group	-	-	-	(264,619)	-	(264,619)
Loss on derecognition of financial assets at fair value through profit or loss	-	-	-	54,868	-	54,868
Depreciation of property, plant and equipment	45,036	(8,557)	-	-	-	36,479
Depreciation of right-of-use assets	32,212	(32,145)	-	-	-	67
Dividend income from financial assets at fair value through profit or loss	(580)	-	-	-	-	(580)
Allowance for expected credit losses on trade receivables	276	-	-	-	-	276

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	Unaudited pro forma adjustments in respect of the Proposed Disposal					Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 4)
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 HK\$'000 (Note 1(b))	Exclusion of the cash flows of the Target Group for the year ended 31 December 2022 HK\$'000 (Note 6)	Adjustment for the intra-group transaction between the Target Group and Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 7)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 8)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 8)	
Allowance for expected credit losses on finance lease receivables	35,669	-	-	-	-	35,669
Allowance for expected credit losses on other receivables	2,329	-	-	-	-	2,329
Net exchange loss	6,295	1	-	-	-	6,296
Operating cash flow before movements in working capital	51,952	(128,638)	4,359	-	(2,450)	(74,777)
Decrease/(increase) in inventories	368	(1)	-	-	-	367
Decrease in properties held for sale	4,600	-	-	-	-	4,600
Increase in finance lease receivables	(1,037,645)	-	-	-	-	(1,037,645)
Decrease/(increase) in trade and other receivables	45,850	(22,544)	-	-	-	23,306
Increase/(decrease) in trade and other payables	14,072	(3,608)	-	-	-	10,464
Increase/(decrease) in deferred income	18,123	(27,081)	-	-	-	(8,958)
Increase in deposits received from customers	34,868	-	-	-	-	34,868
Decrease/(increase) in amount due from an associate	-	23,094	(23,094)	-	-	-
Decrease/(increase) in amount due from fellow subsidiaries	-	(200,107)	200,107	-	-	-
Increase/(decrease) in amount due to fellow subsidiaries	-	440	(440)	-	-	-
Cash used in operations	(867,812)	(358,445)	180,932	-	(2,450)	(1,047,775)
Interest income from financial leasing received	236,900	-	-	-	-	236,900
PRC tax paid	(44,712)	2,186	-	-	(29,959)	(72,485)
Net cash used in operating activities	(675,624)	(356,259)	180,932	-	(32,409)	(883,360)

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**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	Unaudited pro forma adjustments in respect of the Proposed Disposal					Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 4)
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 HK\$'000 (Note 1(b))	Exclusion of the cash flows of the Target Group for the year ended 31 December 2022 HK\$'000 (Note 6)	Adjustment for the intra-group transaction between the Target Group and Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 7)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 8)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 8)	
Investing activities						
Purchase of property, plant and equipment	(277,676)	185,012	-	-	-	(92,664)
Increase in time deposits with more than three months to maturity when placed	(139,652)	-	-	-	-	(139,652)
Dividend received from financial assets at fair value through profit or loss	580	-	-	-	-	580
Net cash inflow of acquisition of a subsidiary	513	-	-	-	-	513
Proceeds from disposal of financial assets at fair value through profit or loss	8,693	(1,449)	-	-	-	7,244
Proceeds from disposal of the Target Group	-	-	-	777,439	-	777,439
Uplift of pledged bank deposits	324,462	-	-	-	-	324,462
Interest received	10,966	(5,092)	2,346	-	-	8,220
Net proceeds from disposal of property, plant and equipment	661	-	-	-	-	661
Investment in an associate	-	508,314	(508,314)	-	-	-
Dividend received from an associate	-	(23,094)	23,094	-	-	-
Net cash (used in)/generated from investing activities	(71,453)	663,691	(482,874)	777,439	-	886,803
Financing activities						
Capital injection from non-controlling interests	115,402	-	-	-	-	115,402
Dividend paid to non-controlling interests	(28,814)	-	-	-	-	(28,814)
Payment of handling fee	(3,350)	3,350	-	-	-	-
Interest paid on borrowings	(50,038)	22,112	-	-	-	(27,926)
Interest paid on convertible notes	(3,325)	-	-	-	-	(3,325)
Repayment of borrowings	(2,382,794)	5,341	-	(666,669)	-	(3,044,122)
Payments of lease liabilities	(38,168)	37,985	-	-	-	(183)
Proceeds from borrowings	3,532,239	(371,744)	-	-	-	3,160,495
Net cash generated from financing activities	1,141,152	(302,956)	-	(666,669)	-	171,527

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	Unaudited pro forma adjustments in respect of the Proposed Disposal					Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 4)
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 HK\$'000 (Note 1(b))	Exclusion of the cash flows of the Target Group for the year ended 31 December 2022 HK\$'000 (Note 6)	Adjustment for the intra-group transaction between the Target Group and Remaining Group for the year ended 31 December 2022 HK\$'000 (Note 7)	Recognition of impact on consideration and estimated profit on the Proposed Disposal HK\$'000 (Note 8)	Estimated costs and expenses in respect of the Proposed Disposal HK\$'000 (Note 4)	
Net increase in cash and bank balances	394,075	4,476	(301,942)	110,770	(32,409)	174,970
Cash and bank balances at 1 January	526,837	(240,024)	-	-	-	286,813
Effect of foreign exchange rates changes	(61,314)	(9,799)	-	30,760	-	(40,353)
Cash and bank balances at 31 December	859,598	(245,347)	(301,942)	141,530	(32,409)	421,430
Analysis of the balances of cash and bank balances, being:						
Cash and bank balances	999,250	(245,347)	(301,942)	141,530	(32,409)	561,082
Less: Time deposits with maturity dates over three months	(139,652)	-	-	-	-	(139,652)
	859,598	(245,347)	(301,942)	141,530	(32,409)	421,430

5. Notes to the Unaudited Pro Forma Financial Information of the Remaining Group:

1. (a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 as set out in the interim report of the Group for the six months ended 30 June 2023 published on 20 September 2023.
- (b) The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 as set out in the annual report of the Group for the year ended 31 December 2022 published on 27 April 2023.
2. The adjustments represent the exclusion of assets and liabilities of the Target Group as at 30 June 2023, assuming the disposal of the Target Group had been taken place on 30 June 2023. The assets and liabilities of the Target Group are extracted from the relevant unaudited statements of financial position as at 30 June 2023 set out in Appendix III to this circular.
3. The adjustments represent the estimated net gain and the net cash inflows arising on the Disposal charged to profit or loss, assuming the disposal of the Target Group had been taken place on 30 June 2023 and is calculated as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration (<i>Note i</i>)		1,063,368
Carrying amounts of assets and liabilities of the Target Group as at 30 June 2023 (<i>Note ii</i>)	(1,071,133)	
Exclusion of non-controlling interests as at 30 June 2023 (<i>Note iii</i>)	<u>299,918</u>	
		(771,215)
Reclassification of other reserves upon Disposal		8,927
Exchange differences arising on translation of foreign operations		<u>(73,467)</u>
		227,613
Less:		
Loss on derecognition of financial assets at fair value through profit or loss (<i>Note iv</i>)		(85,821)
Estimated costs and expenses in respect of the Disposal (<i>Note 4</i>)		<u>(32,409)</u>
Estimated net gain on disposal of the Target Group		<u><u>109,383</u></u>

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP

	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration		1,063,368
Less:		
Repayment of amount due to Sino Rock Tyco Group		(294,233)
Repayment of bank loan of Remaining Group		(703,094)
Effect of foreign exchange rates changes		<u>(2,744)</u>
Remaining cash received upon the Disposal		63,297
Less:		
Estimated costs and expenses in respect of the Disposal (<i>Note 4</i>)		<u>(32,409)</u>
Net cash inflows arising on Proposed Disposal upon completion on 30 June 2023		<u><u>30,888</u></u>

Notes:

- i. Pursuant to the sale and purchase agreement, the consideration for the Disposal (the “**Consideration**”) is RMB972,000,000 (equivalent to HK\$1,063,368,000), details of the consideration for the Target Group are set out in the table above. For the purpose of the preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2023, the consideration were assumed to be fully executed as at 30 June 2023.
- ii. The amount represents the carrying amount of the net assets of the Target Group as at 30 June 2023 which is extracted from the unaudited statement of financial position of the Target Company as at 30 June 2023 as set out in Appendix III to this circular.
- iii. The amount represents the carrying amount of the non-controlling interests of the Target Group as at 30 June 2023 which is extracted from the unaudited statement of financial position of the Target Company as at 30 June 2023 as set out in Appendix III to this circular. The equity attributable to owners of the Target Group can be calculated after deducting the carrying amount of the non-controlling interests.
- iv. The amount represents the loss on derecognition of an equity option as financial assets, following the Disposal, which is extracted from the note 13 of the notes to condensed consolidated financial statements of the interim report of the Group for the six months ended 30 June 2023 published on 20 September 2023.
- v. Since the carrying amount of net assets of the Target Group on the date of actual completion of the Disposal may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, the financial impact of the Disposal is for illustrative purpose only and subject to change upon the actual completion of the Disposal.

4. The estimated tax and expenses of approximately HK\$32,409,000 (including PRC income tax expenses of approximately RMB26,738,000 (equivalent to HK\$29,251,000)) directly incurred for the Disposal that would be borne by the Remaining Group and were assumed to be settled in cash on the date of completion of the Disposal.

The estimated tax and expenses is incurred by the Remaining Group for the Disposal and the amount is subject to change upon the actual completion of the Disposal.

5. Apart from notes above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2023 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2023.
6. The adjustments represent the exclusion of the results and cash flows of the Target Group for the year ended 31 December 2022, assuming the disposal of the Target Group had been taken place on 1 January 2022. The results and cash flows of the Target Group for the year ended 31 December 2022 are extracted from the unaudited statement of profit or loss and other comprehensive income and the unaudited statement of cash flows of the Target Group set out in Appendix III to this circular.
7. The adjustments represent the relevant adjustments in respect of exclusion of the intra-group transactions between the Target Group and Remaining Group that occurred during the results and cash flows of the Target Group for the year ended 31 December 2022, following the disposal of the Target Group which were assumed to be taken place on 1 January 2022.
8. The adjustments represent the estimated net gain and the net cash inflows arising on the Disposal charged to profit or loss, assuming the disposal of the Target Group had been taken place on 1 January 2022 and is calculated as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration (<i>Note i</i>)		1,063,368
Carrying amounts of assets and liabilities of the Target Group as at 31 December 2021 (<i>Note ii</i>)	(1,162,451)	
Exclusion of non-controlling interests as at 31 December 2021 (<i>Note iii</i>)	<u>325,486</u>	
		(836,965)
Reclassification of other reserves upon Disposal		8,927
Exchange differences arising on translation of foreign operations		<u>29,289</u>
		264,619

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UNAUDITED PRO FORMA FINANCIAL
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	<i>HK\$'000</i>	<i>HK\$'000</i>
Less:		
Loss on derecognition of financial assets at fair value through profit or loss (<i>Note iv</i>)		(54,868)
Exclusion of Increase in fair value of financial assets at fair value through profit or loss during 2022 in respect of option for selling 72% equity interests of Target Group (<i>Note v</i>)		(40,456)
Estimated costs and expenses in respect of the Disposal (<i>Note 4</i>)		<u>(32,409)</u>
Estimated net gain on disposal of the Target Group		<u>136,886</u>
Consideration		1,063,368
Less:		
Repayment of amount due to Sino Rock Tyco Group		<u>(285,929)</u>
Sub-total		777,439
Repayment of bank loan of Remaining Group		<u>(666,669)</u>
Sub-total		110,770
Effect of foreign exchange rates changes		<u>30,760</u>
Remaining cash received upon the Disposal		141,530
Less:		
Estimated costs and expenses in respect of the Disposal (<i>Note 4</i>)		<u>(32,409)</u>
Net cash inflows arising on Proposed Disposal upon completion on 1 January 2022		<u>109,121</u>

Notes:

- i. Pursuant to the sale and purchase agreement, the consideration for the Disposal (the “**Consideration**”) is RMB972,000,000 (equivalent to HK\$1,063,368,000), details of the consideration for the Target Group are set out in the table above. For the purpose of the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022 of the Remaining Group, the consideration were assumed to be fully executed for the year ended 31 December 2022.

- ii. The amount represents the carrying amount of the net assets of the Target Group as at 1 January 2022 which is extracted from the unaudited statement of financial position of the Target Company as at 31 December 2021 as set out in Appendix III to this circular.
 - iii. The amount represents the carrying amount of the non-controlling interests of the Target Group as at 1 January 2022 which is extracted from the unaudited statement of financial position of the Target Company as at 31 December 2021 as set out in Appendix III to this circular. The equity attributable to owners of the Target Group can be calculated after deducting the carrying amount of the non-controlling interests.
 - iv. The amount represents the loss on derecognition of an equity option as financial assets, following the Disposal, which is extracted from the note 22 of the notes to the consolidated financial statements of the annual report of the Group for the year ended 31 December 2021 published on 28 April 2022.
 - v. The amount represents exclusion of the increase in fair value of financial assets at fair value through profit or loss during 2022, following derecognition of an equity option as financial assets at fair value through profit or loss.
 - vi. Since the carrying amount of net assets of the Target Company on the date of actual completion of the Disposal may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, the financial impact of the Disposal is for illustrative purpose only and subject to change upon actual completion of the Disposal.
9. Apart from notes above, no other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022.
10. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.
11. For the purpose of preparation of the unaudited pro forma consolidated financial information of the Remaining Group, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.094 and amounts denominated in US\$ have been translated into HK\$ at the exchange rate of US\$1 = HK\$7.8.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP**

Set out below is the text of the independent reporting accountant's assurance report received from HLM CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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29 December 2023

Dear Sirs,

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of China Investments Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited proforma financial information of China Investments Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2023, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages 1 to 14 of Appendix IV of the Company's circular dated 29 December 2023 (the “**Circular**”) in connection with the proposed disposal of Sino Rock Tyco Group (the “**Disposal**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited proforma financial information are described on pages 10 to 14 of Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Disposal on the Group's financial position as at 30 June 2023 and the Group's financial performance and cash flows for the year ended 31 December 2022 as if the Disposal had taken place on 30 June 2023 and 1 January 2022 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group's interim report for the six months ended 30 June 2023, on which no review report has been published and the Group's annual report for the year ended 31 December 2022, on which an audit report has been published respectively.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG7**”), issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction on 30 June 2023 or 1 January 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

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

Yours faithfully,

HLM CPA Limited

Certified Public Accountants

Ng Fai Fiona

Practicing Certificate Number: P04986

Hong Kong

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards.

Set out below is the management discussion and analysis of the business, financial results and position of the Remaining Group for each of the financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 prepared on the basis that Sino Rock Tyco Group is not consolidated, and the Company has no ownership interest in Sino Rock Tyco Group. Following the completion of the Disposal, the Remaining Group will continue to carry out its existing principal business in elderly care and wellness, financial leasing, big data, civil explosives and property investment.

(a) For the six months ended 30 June 2023

Business Review

Leveraging the restructuring of the welfare center of Nanhai District, the Remaining Group took over the operation of several public elderly care institutions sponsored by towns or sub-districts in the second half of 2022 according to its established strategy, significantly boosting the operating income of our elderly care and wellness business, representing a year-on-year increase of approximately HK\$21,843,000. Meanwhile, we acquired a 51% equity interest in Zhaoqing Huaxin Blasting Engineering Co., Ltd. (“**Huaxin**”) for our civil explosives business at the end of May 2022 to expand blasting operations, resulting in a year-on-year increase in operating income of approximately HK\$15,816,000. In addition, our financial leasing business continued to develop, boosting operating income by approximately HK\$12,147,000. For the six months ended 30 June 2023, taking into account other factors, the Remaining Group recorded a total income of approximately HK\$366,229,000, representing a substantial increase of 16.9% compared with the same period of the year 2022.

The operating performance of all business operations improved in the post-Covid-19 era. Taking into account other factors, profit for the period increased by 58.7%, and net profit amounted to approximately HK\$37,932,000.

Elderly Care and Wellness Business

The Remaining Group continued to develop a three-tier elderly care system comprising institutions, communities and households in Nanhai District. We successfully took over public elderly care institutions sponsored by towns or sub-districts in Nanhai District, and became the largest institutional elderly care brand in Foshan City. As at 30 June 2023, there were a total of 2,200 institutional nursing beds with an occupancy rate of 79%. Compared with that on 31 December 2022, the number of nursing beds increased by approximately 5%, but the occupancy rate slightly decreased by 4%. Currently, there are a total of 300 rehabilitation and nursing beds, with an average usage rate of 78%, representing an increase of 8% from that at the end of the year 2022.

While steadily advancing the upgrading and expansion of elderly care facilities, the Remaining Group strengthened all aspects of elderly rehabilitation medical services and nursing homes. We not only improved equipment and human resources and actively expanded related business operations, but also provided more diverse, quality services through professional management. In order to further enhance our ability of integrating medical and care services, our rehabilitation hospital has launched a joint construction plan for regional medical and nursing alliance with the Nanhai District People's Hospital to promote a strong alliance between leading medical and nursing institutions in Nanhai District. We leveraged our brand effect to expand our presence in community- and home-based care services through market-oriented mixed-ownership reform.

A substantial increase was recorded in the operating income of wellness elderly care business. For the six months ended 30 June 2023, the segment recorded an operating income of approximately HK\$73,695,000, representing a continuous increase of 42.1% over the same period of the year 2022. Our elderly care and wellness business is still undergoing reform and upgrading. For the six months ended 30 June 2023, we recorded a year-on-year decrease of 69.7% in operating losses to approximately HK\$4,682,000. We expect a further improvement in performance in the second half of the year 2023 by enhancing the brand effect of integrating medical and care services and introducing new fee standards for reasonable price adjustments.

Financial Leasing Business

Despite the fact that its financial leasing business was under intense pressure arising from market competition, the Remaining Group focused on serving clients from environmental protection related industries, strove to offer more environmental leasing products, and adjusted existing environmental leasing products to better suit the existing market environment. The Remaining Group sought progress in stability, carried out risk management, and remained focused on the environmental industry to develop financial leasing business. We have set up a professional financial leasing team familiar with the environmental industry to more effectively conduct risk assessment on environmental clients, control business risks in line with the Remaining Group's risk appetite, carry out stringent pre-lease review of financial leasing projects to select the best from the good, and implement post-lease management and supervision to reduce the risk of bad debts and ensure income. In addition, the Remaining Group continuously strove to cut capital costs and successfully issued the first green bonds in Foshan City. Thanks to the joint efforts of all employees of the financial leasing segment in developing quality municipal environmental services in Nanhai District, Foshan and across the country, the segment recorded a year-on-year increase of 7.6% in operating income to approximately HK\$173,031,000, and an increase of 17.2% in operating profit to approximately HK\$70,925,000 for the six months ended 30 June 2023.

Big Data Business

The Remaining Group will continue to vigorously develop big data business to expand its business coverage and extend its industry chain. During the period, our wholly-owned subsidiary Guangdong Sinsing Technology Ltd. (“**Sinsing Technology**”) actively sought mergers and acquisitions with industrial synergistic effects, and improved the industrial Internet segment to achieve full industry chain development, with the aim of becoming a first-class industrial Internet full-chain service provider in the Greater Bay Area. In the first half of the year 2023, it acquired a 51% equity interest in Guangdong XRIS Technology Co., Ltd. (廣東新瑞智安科技有限公司), which, in combination with the experience in lean management and lean digital consulting services for enterprises, can generate synergies and help the Remaining Group expand its presence in the field of lean digital transition services in the manufacturing industry, explore new market segments, as well as enhance industry awareness and overall market competitiveness. In the meantime, our technical team mainly completed new product development and project product enhancement in the first half of the year 2023, including the improvement and upgrading of the identification interface, parsing page, and project service performance. To date, there are a total of 2,428 registered enterprises, with the number of identifiers registered and the number of identifier decoding exceeding 4.5 billion and 790 million, respectively. With regard to intellectual property rights, Sinsing Technology completed two patent approvals, namely Methods, Systems, Devices and Electronic Equipment for Managing the Receipt and Distribution of Goods and Matching Methods, Devices, Electronic Equipment and Storage Media for Mobile Accessories in the first half of the year 2023. At the same time, it had three new patent candidates for which applications had been submitted, thereby continuously improving its corporate image and market competitiveness. In June 2023, Sinsing Technology ranked 132nd among 2023 Top 500 Industrial Internet Enterprises. Although existing projects have gradually come to an end. After the epidemic, the economic recovery of traditional manufacturing industry in the short term is at a slow pace; manufacturing services market conditions have yet to be improved; and market competition is further intensified, making enterprises more cautious in decision making. The Company makes effort in expanding new project business, carrying out mergers and acquisition, optimizing the products and improving management efficiency. The operating income for the year 2023 has a slight year-on-year growth of 1.5% to approximately HK\$4,909,000. With costs under strict control, operating loss was narrowed by 64.6% to approximately HK\$308,000 from that of the same period of the year 2022.

Civil Explosives Business

As the domestic mining business and infrastructure engineering especially the real estate civil explosives market barely recovered during the period, market demand remained sluggish. Taking into account industry dynamics and its own conditions, Guangdong Tiannuo Investments Co., Ltd. (“**Tiannuo**”) committed itself to exploring a suitable solution for mixed assembly capacity to empower its transition and quality development. Internally, it accelerated the construction of independent channels to achieve utmost capacity, renovated the latex matrix production line and purchased mixed loading vehicles, so as to improve the internal conditions for independent release of mixed assembly capacity. Externally, it expedited the expansion of market business, actively explored methods for multi-channel cooperation, and sought new opportunities for development. Consequently, preliminary consensus has been reached regarding three large-scale mining projects, creating external conditions for the independent release of mixed assembly capacity. Upon the acquisition of Huaxin at the end of May the year 2022, our civil explosives business was extended to blasting operations, gradually achieving mixed assembly capacity and effectively increasing business efficiency. For the six months ended 30 June 2023, operating income surged by 18.3% to approximately HK\$102,236,000, and operating profit by 29.8% to approximately HK\$10,627,000.

Property Investments

The rental income from investment properties was approximately HK\$4,966,000, representing a decrease of 11.1% from that of the same period of the year 2022. Specifically, occupancy rate increased from approximately 86.27% to approximately 93.00%. However, due to the sluggish rental market, the average rent per square meter for new tenants was lower than that of original tenants, and the overall RMB rental income approximated that for the same period of the year 2022. Dented by RMB depreciation, rental income slightly decreased by 6.3% to approximately HK\$4,966,000 from that of the year 2022. The properties in Hong Kong remained vacant after the original tenants chose not to renew their leases upon expiration at the end of November 2022. As such, the rental income decreased year-on-year by approximately HK\$288,000.

Hotel Business

The tourism market began to pick up in the first half of the year 2023. Guilin Plaza Hotel (“**Guilin Plaza**”) focused on attracting tourists, in order to rapidly increase its reception volume and occupancy rate, hopefully to pre-Covid-19 level. For the six months ended 30 June 2023, through refined management of internal operations, strict cost control, and successful reduction of costs and expenses, the occupancy rate rebounded substantially by approximately 52.32% to approximately 63.93% compared with that of the same period of the year 2022, while the average room rate decreased by approximately 11% compared with the same period of the year 2022. As a result of these and other factors, the segment’s operating income soared by 95.2% to approximately HK\$7,392,000 compared with that of the same period of the year 2022, and operating loss was narrowed by 67.7% to approximately HK\$1,479,000 compared with that of the same period of the year 2022.

Profit from Investments in Associate

The cost pressure on Nanhai Changhai Power Company Limited* (“**Nanhai Changhai**”) was lessened by the lower costs of raw coal and gas as compared to those at the end of the year 2022 and during the same period of the year 2022. In addition, the increase in customer demand and sales volume after the epidemic resulted in a significant year-on-year increase in operating results. Accordingly, it recorded an operating profit of approximately HK\$85,662,000 and contributed profit of approximately HK\$27,261,000, representing a significant year-on-year increase of approximately 2.3 times.

Financial Position and Analysis

For the six months ended 30 June 2023, the Remaining Group had total assets of approximately HK\$6,542,971,000, total liabilities of approximately HK\$5,639,900,000, a gearing ratio (being total liabilities divided by total assets) of 86.2% (*note*), net assets of approximately HK\$903,071,000, and equity per share attributable to owners of the Company of approximately HK\$9.66 cents.

The Remaining Group had net current liabilities of approximately HK\$424,124,000, a current ratio (being current assets divided by current liabilities) of approximately 0.81 times (*note*) and the Remaining Group had bank balance and cash of approximately HK\$845,572,000 sufficient for capital requirements for future operation and new projects or business development of the Remaining Group.

Note: Group has utilized the loan facility to the extent of US\$90,000,000 (equivalent to approximately HK\$703,094,000) as an investment cost for registered capital injection of Sino Rock Tyco. After Sino Rock Tyco Group is deconsolidated, the net asset value of the remaining group's assets will decrease accordingly. However, the relevant borrowings have not been accounted for and so higher gearing ratio and lower current ratio compared with before will be resulted. After adjustment of deduction of the relevant borrowings, the adjusted gearing ratio and current ratio will be decreased to 75.5% and 1.18 respectively.

Pledge of Assets

As at 30 June 2023, properties of the Remaining Group for own use and investment, bank deposits and the carrying value of finance lease receivables amounted to approximately HK\$4,127,231,000, with approximately HK\$3,651,550,000 of finance lease receivables pledged to banks as the security for bank borrowings granted to the Remaining Group.

Foreign Exchange Exposure

The Remaining Group's main operating income and costs are denominated in RMB. In the business operation of the Remaining Group, foreign exchange fluctuation in income and costs would be mutually offset. However, as the Hong Kong based Remaining Group has injected a substantial amount of current borrowings into domestic wholly-owned subsidiaries in Mainland China and held a huge amount of monetary assets denominated in RMB, an exchange gain or loss would arise from the appreciation or depreciation of RMB. It is expected that an increase or a decrease of approximately HK\$1,853,000 in the Remaining Group's profit for the year would arise if the exchange rate of RMB to HKD appreciates or depreciates by 5%. Over the few past years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008, starting to fluctuate upward and downward repeatedly. The impact of the Sino-US trade war, deteriorating Sino-US relations and fluid epidemic dynamics in recent years, as well as the outbreak of the war between Russia and Ukraine in the year 2022, led to higher prices in fuel and food, etc. and aggravated inflation across the globe. The United States formally began its rate hike cycle to contain escalating inflation, boosting the appeal and relative strength of USD compared with other currencies. Although the adoption of pegged exchange rate by Hong Kong would alleviate the pressure of exchange loss in respect of HKD against USD, it would increase the risk of exchange loss arising from depreciation of RMB against HKD, resulting in an exchange loss of approximately HK\$7,149,000 for the same period of the year 2022. Although inflation alleviated to some extent in the first half of the year 2023, the interest rates of HKD and USD remained high. In addition, the recovery of China's economy fell short of expectations, necessitating a cut in the RMB interest rate to stimulate economy growth. This underscored the difference in interest rate policies between China and the US, and detracted from the appeal of RMB. As a result, the depreciation pressure of RMB against USD and HKD persisted, representing an exchange loss of approximately HK\$4,639,000. Therefore, the Board believes that RMB will be immensely affected by Sino-US relations, fluid epidemic dynamics, the USD rate hike cycle and economic recovery in China in the short term, the path of which is hard to predict, but in the long run, it is expected that RMB will remain stable and will not expose the Remaining Group to significant and long term adverse foreign exchange risk. Accordingly, it is not necessary for the Remaining Group to hedge against foreign exchange risk at the moment.

Significant Investments, material acquisitions and disposal

On 7 April 2023, Remaining Group entered into the share transfer agreement for the acquisition of a 51% equity interest in Guangdong XRIS Technology Co., Ltd. (廣東新瑞智安科技有限公司) at consideration of RMB4,361,600. In combination with its experience in lean management and lean digital consulting services for enterprises, the acquisition can generate synergies and help the Remaining Group expand its presence in the field of lean digital transition services in the manufacturing industry, explore new market segments, as well as enhance industry awareness and overall market competitiveness.

(b) For the year ended 31 December 2022***Business Review***

Leveraging the restructuring of the welfare center of Nanhai District, the Remaining Group took over Foshan City Nanhai District Taoyuan Welfare Center Co, Limited. (“**Taoyuan Welfare Center**”) and Foshan City Nanhai District Taoyuan Rehabilitation Hospital Co., Limited. (“**Taoyuan Rehabilitation Hospital**”) in mid-May 2021, and Taoyuan Welfare Center successively took over several public elderly care institutions sponsored by towns or sub-districts in Xiqiao, Dali, Shishan, Lishui of Nanhai District in the second half of 2022, significantly boosting the operating income of our elderly care and wellness business, representing a year-on-year increase of approximately HK\$44,704,000. Meanwhile, our financial leasing business continued to develop, boosting operating income by approximately HK\$114,341,000. In addition, the impact on production by transformation was eliminated after the completion of the technological transformation of civil explosive business, achieving a year-on-year increase in our income of this segment by about HK\$54,291,000. For the year ended 31 December 2022, taking into account other factors, the Remaining Group recorded a total income of approximately HK\$685,331,000, representing a substantial increase of 39.8% compared with that of the year 2021.

Besides the above year-on-year increase of approximately HK\$42,260,000 in our profit generated from the continuous development of our financial leasing business, our civil explosives business turned loss into profit and contributed an additional net profit of around HK\$23,930,000, as it did not need to suspend production due to transformation, and properly used the excess mixed assembly and detonating cord production capacity to increase income. In addition, special loss of approximately HK\$16,295,000 was recorded for the decrease in the fair value of financial assets at fair value through profit or loss in 2021, as compared with gains of approximately HK\$39,907,000 resulting from the increase in the fair value of financial assets at fair value through profit or loss for the year 2022. However, the elderly care and wellness business turned profit to loss and recorded the decrease of approximately HK\$17,507,000 in operating profits due to the fact that occupancy rate and outpatient services were affected and the failure to raise prices as expected on the one hand, and soaring expenditures such as epidemic prevention and daily operating expenses on the other. These were caused by repeated COVID-19 outbreaks, during which time elderly care institutions and rehabilitation hospitals under our elderly care and wellness business experienced several long-term closed management. Moreover, the sharp rise in coal and gas prices during the period resulted in a significant increase in costs and a decrease in profits for Changhai Power, so its profit attributable to the Remaining Group decreased substantially by approximately HK\$20,634,000 as compared with that of the year 2021. Meanwhile, the United States has entered a rate hike cycle, pushing up interest rates, and the Company increased financing in line with business development needs resulting in an increase of approximately HK\$24,382,000 in finance costs such as interest expenses. In addition, as the operating profits of financial leasing, civil explosives and industrial parks business have risen sharply, the tax burden has also increased accordingly, resulting in an increase in income tax expenses of about HK\$22,779,000. Taking into account other factors, the Remaining Group recorded an increase in profit of HK\$5,222,000 and a net profit of approximately HK\$4,730,000 for the year 2022.

Elderly Care and Wellness Business

The Remaining Group will continue to develop a three-tier elderly care system comprising institutions, communities and households in Nanhai District. In mid-May 2021, the Remaining Group took over Taoyuan Welfare Center and Taoyuan Rehabilitation Hospital by means of entrusted management. On this basis, we have obtained the Nanhai District Government's recognition of and support for the Remaining Group's elderly care business, further expanded cooperation with various towns/subdistricts in Nanhai District, and signed agreements with Xiqiao Town, Dali Town, Shishan Town, and Lishui Town of Nanhai District for entrusted management of public elderly care institutions under their jurisdictions, whereby Taoyuan Welfare Center has set up branches to orderly promote the takeover of those institutions. We took over Luocun Nursing Home in July 2022, and a number of public elderly care institutions including Xiqiao Welfare Center, Dali Nursing Home, Huangqi Liangyongzhao Nursing Home, Lishui Elderly Home (South Part and North Part) and Shishan Nursing Home (combined with Xiaotang Nursing Home) in October to December, thereby expanding the number of nursing beds. As a result, the total number of nursing beds, including those in Taoyuan Welfare Center and Jiujiang Nursing Home, increased from 1,252 to 2,098, and the occupancy rate of such beds stood at 83% at the end of the fourth quarter of 2022. Thanks to the significant expansion of institutional elderly care services, the operating income from elderly care and wellness business for the year ended 31 December 2022 increased substantially to approximately HK\$122,458,000, an increase of 57.5% compared with that of the year 2021. However, in order to cope with repeated COVID-19 outbreaks during the year 2022, lockdown measures were implemented to protect the safety and health of nursing personnel and clients, which affected the occupancy rate and outpatient services. We not only failed to recruit more elderly as expected to raise the occupancy rate, but also saw an increase in the check-out rate of self-care elderly due to the impact of COVID-19 and lockdown measures. As a result, the average number of people living in Taoyuan Welfare Center in 2022 was approximately 960 representing an average occupancy rate of approximately 95%, a slight decline from approximately 98% as at the end of the year 2021; the average number of people living in Jiujiang Taoyuan Nursing Home in the year 2022 was approximately 160, representing an average occupancy rate of approximately 61%, which remained basically flat compared with 60% as at the end of the year 2021. For the year 2022, the average occupancy rates of beds of Taoyuan Rehabilitation Hospital and Taoyuan Nursing Home, whose outpatient services were suspended during lockdown periods, were 83% and 7%, respectively. The progress of community service projects was also affected to varying degrees due to the impact of COVID-19. As such, the lingering COVID-19 pandemic not only affected the operating income from elderly care and wellness business and made it impossible for us to raise prices as expected, but also caused a substantial increase in operating costs such as epidemic prevention and control expenses, compensation for personnel and daily operating expenses, resulting in a sharp decline in the operating profit of elderly care and wellness business. For the year ended 31 December 2022, the segment saw a turnaround from profit to loss and recorded an operating loss of approximately HK\$14,631,000, which is expected to change for the better in 2023 as COVID-19 eases.

In addition, as the buildings and facilities of the elderly care institutions at town/sub-district level taken over by us have been used for a long time, some of the facilities and equipment are outdated, damaged or unsuitable and need to be phased out and replaced, and the buildings also need to be maintained and improved. As such, in an ongoing effort to refine the elderly care environment and facilities, the Remaining Group will continue to improve investment and construction, further upgrade the environment, improve the facilities and enhance service capabilities. For example, in order to improve the facilities of Taoyuan Rehabilitation Hospital, the Remaining Group renovated a building with a total GFA of 18,359 square metres for medical rehabilitation purposes, which is planned to be completed and undergo acceptance inspection in the first half of 2023. In order to meet the diverse needs of the elderly, the Remaining Group invested in an elderly apartment project and has obtained a foundation construction permit for it, the construction of the project started in September 2022 and is expected to be completed within about 18 months. Meanwhile, the Remaining Group will adjust elderly care services based on needs, enhance nursing services for the elderly, and comprehensively improve service quality, so as to make our elderly care brand bigger and stronger. With Taoyuan Welfare Center as a role model and Jiujiang Nursing Home as a demonstration project, the Remaining Group will improve the operations management and elderly care capabilities of public elderly care institutions in towns and sub-districts, and strengthen talent recruitment and human resource management, with a view to taking its medical and elderly care services to a new height. In 2020, Taoyuan Welfare Center and Jiujiang Nursing Home were rated as a “Five-Star” elderly care institution and a “Four-Star” one in Guangdong Province respectively, and such star ratings are valid for three years. The elderly care institutions managed by the Remaining Group will actively participate in the 2023 star rating review of elderly care institutions and make joint efforts to play a leading and exemplary role in star ratings, in a drive to promote the quality development of elderly care services of all elderly care institutions under the Remaining Group.

Financial Leasing Business

The financial leasing business mainly provides financial leasing and related consulting services in China, and its business model is as follows:

The Remaining Group usually enters into a (sale-and-leaseback) financial lease agreement with clients having assets suitable for financial leasing, with the client (as the lessee) retaining control over the assets and the Remaining Group (as the lessor) will be secured by having title over the assets and security interests for the duration of the lease. However, the Remaining Group (as lessor) can also enter into a supply agreement with a third-party supplier pursuant to which the Remaining Group pays the supplier for the purchase of certain assets selected by the client (as lessee), in addition to a finance lease agreement pursuant to which the lessor directly leases the assets to the lessee in return for lease payments by the lessee (direct leases). The Remaining Group’s main target clients are players in environmental sectors such as sewage treatment, waste incineration, new energy power generation, cogeneration, kitchen waste disposal, biogas power generation, solid waste treatment, etc. With the strategic goal to become a leading eco-friendly and professional financial leasing company in China, the Remaining Group is deeply engaged in the subsectors of the municipal environmental protection industry, mainly targets enterprises that provide municipal environmental services, and plans to focus on developing municipal

environmental projects of state-owned enterprises (SOEs) in Foshan and quality SOEs in the Greater Bay Area. The Remaining Group vigorously solicits clients through the E20 forum, local environmental associations and other platforms, referrals from existing clients, referrals from banks and business partners in the industry, and the management and business personnel's online marketing. By 31 December 2022, the Remaining Group had transacted with approximately 48 SOEs and other quality enterprises in Nanhai District and the Greater Bay Area, including subsidiaries of listed companies. Of these 48 enterprises, approximately 35 are in the environmental industry, including about 19 mainly engaged in sewage treatment and 16 involved in multiple sectors such as waste incineration, water supply, cogeneration, hazardous waste treatment, biogas power generation, and sludge and soil treatment. The other 13 enterprises are mainly engaged in other industries such as public utilities, electromechanical equipment and real estate. The segment's operating income for the year 2022 increased by 52.9% to approximately HK\$330,485,000, 55.9% of which was contributed by clients in the environmental industry.

In addition, the Remaining Group used finance lease receivables as collateral to raise funds by various means including bank financing and bond issuance to meet most capital needs of the financial leasing business (while the remaining needs were met with its own funds), and continuously diversified financing channels, including but not limited to equity and debt financing, to enhance the financial strength of the financial leasing business. Despite the challenges facing the financial leasing business arising from intensifying market competition and COVID-19, the Remaining Group upheld the established strategic positioning and business objectives, sought progress in stability, carried out risk management, and remained focused on the environmental industry to develop financial leasing business. We have set up a professional financial leasing team familiar with the environmental industry to more effectively conduct risk assessment on environmental clients, control business risks in line with the Remaining Group's risk appetite, carry out stringent prelease review of financial leasing projects to select the best from the good, and implement post-lease management and supervision to reduce the risk of bad debts.

Owing to the joint efforts of all employees of the financial leasing segment in developing quality municipal environmental services in Nanhai District, Foshan and across the country, the segment recorded an operating profit of HK\$127,447,000, a year-on-year increase of 49.6%.

Big Data Business

The Remaining Group will continue to vigorously develop big data business and promote business development and technology enhancement with a focus on increasing the scale of market-oriented operations. Sinsing Technology was among the third batch of enterprises passing the national high-tech enterprise certification in the year 2022, and its work “Code for Success” won the gold medal in the finals of South China Division of the first National Industrial Internet Identifier Application Innovation Competition and entered the national finals. Moreover, the Public Service Platform for Smart and Secure Industrial Parks in Guangdong-Hong Kong-Macao Greater Bay Area (Nanhai) filed by the company in collaboration with Foshan Nanhai Institute of Public Security Technology was selected among the 2021 Industrial Internet Pilot Demonstration Projects. Thanks to these efforts and achievements, our corporate image and market competitiveness have been improving. In terms of technology and industry research, we successfully obtained two patents, which means that we have been granted six patents in total. Yet, the existing projects ended one after another, while new project development progressed slowly due to repeated COVID-19 outbreaks and the scale of market-oriented operation remained small. In order to find more excellent market-oriented operation projects more effectively, increase market-oriented income and intensify the translation of technologies, after several rounds of surveys and analysis, we reviewed our resource advantages and industrial development potential, strategically determined to focus on developing industrial Internet platform services, set the strategic objective to become a first-class provider of industrial Internet platform services in the Guangdong-Hong Kong-Macao Greater Bay Area, developed the product “Code for Success” and further refined it based on our experience from the identifier innovation application competition, further upgraded and enhance the service performance of enterprise node, and made an overall revision of the SSP front end of the public service platform. To date, a total of 2,327 enterprises have connected to the enterprise node, with the number of identifiers registered and the number of identifier decoding exceeding 1.3 billion and 548 million, respectively. We aim at driving the transformation and upgrading of the local manufacturing industry based on its characteristics and development needs, so as to develop our big data business into an excellent local provider of industrial Internet platform services. Although segment’s operating income for the year decreased substantially by 59.3% from the figures for 2021 to HK\$13,048,000, lower than expected, the operating profit of approximately HK\$7,751,000 was recorded in 2022, an increase of 30.2% year-on-year.

Civil Explosives Business

In the year of 2022, Tiannuo faced dual pressures. On the one hand, due to a variety of factors, including repeated COVID-19 outbreaks, property downturn, reduction of infrastructure projects, and low-price competition from players in other provinces, the civil explosives market in Guangdong Province saw a sharp drop in demand, resulting in worse-than-expected sales. As a result, Tiannuo's sales volume of emulsion explosives was only 69.6% of its production capacity. On the other hand, the substantial increase in the unit prices of raw materials led to an increase in unit cost. To cope with the headwinds, Tiannuo strengthened communication with key customers, and expanded the scope of services to provide one-stop services from supply guarantee to after-sales service and technical support, so as to win the trust of customers and enhance customer loyalty. Moreover, in order to increase sales volume, Tiannuo leveraged its comprehensive services to seize the market, and increased business development efforts in Guangxi, Western Guangdong and Eastern Guangdong to grab market share in and out of Guangdong Province. In addition to raising product prices in last November in response to increased costs, we cut procurement costs by changing the procurement model, and adopted the principle of seeking benefits from technology by increasing R&D efforts to lower raw material and energy costs and improve production efficiency while ensuring safety and quality. We launched a company-wide campaign to reduce costs and increase efficiency and promoted the idea that every penny saved is profit, thus integrating cost reduction efforts into the work of each employee as well as production and daily activities. Furthermore, we properly used excess mixed assembly and detonating cord production capacity to increase income. In order to increase the usage of mixed assembly capacity, we acquired a 51% stake in Zhaoqing Huaxin Blasting Engineering Co., Ltd. ("**Huaxin**") to expand blasting operations, thus enabling the mixed assembly capacity to release in blasting operations and generating synergy. In addition, Tiannuo passed the high-tech enterprise certification in late 2022, making it entitled to tax credits. After deducting 100% of R&D expenses, its effective tax rate was reduced by 10%, thus increasing its net profit. For the year ended 31 December 2022, the segment not only saw an increase of 38.5% in operating income to approximately HK\$195,138,000, but also recorded an operating profit of approximately HK\$11,882,000 as opposed to a loss for 2021.

Property Investments

As some tenants of China Holdings Building terminated their leases and the properties in Hong Kong remained vacant after the original tenants chose not to renew their leases upon expiration at the end of November 2022, the rental income from other properties decreased year-on-year by 7.5% to approximately HK\$10,292,000. Specifically, the occupancy rate of China Holdings Building dropped from approximately 98.69% to approximately 88.2%, causing the rental income to decrease by 6.3% from the that of 2021 to approximately HK\$9,774,000. The rental income from properties in Hong Kong fell by 7.7% from that of 2021 to approximately HK\$518,000. In terms of property sales, the Remaining Group managed to sell the remaining units of Shantou Commercial Plaza for HK\$4,180,000 in cash.

Hotel Business

The year 2022 saw the greatest impact on the hotel industry since the initial COVID-19 outbreak. The Guilin tourism market, which continued to be affected by repeated COVID-19 outbreaks across the country and anti-COVID policies such as strict lockdowns, saw extremely low tourist flows. The package tour market and conference market were virtually suspended, and the number of individual tourists also fell sharply compared with that of the year 2021, making hotel industry players struggle to survive. Guilin Plaza took a series of response measures to cope with COVID-19 outbreaks and made efforts to alleviate the impact of COVID-19 on hotel operations. Even though the hotel adjusted its customer mix using flexible strategies, concentrated on developing individual customers online and achieved certain results, strictly controlled expenditures and reduced costs and expenses, its income was still deeply dented. The occupancy rate dropped substantially by approximately 15.74% to only approximately 24.67% compared with that of the same period of the year 2021, while the average room rate decreased by 10.33% compared with that of the same period of the year 2021. As a result of these and other factors, the segment's operating income decreased significantly by 19.8% to HK\$9,730,000 compared with that of the same period of the year 2021, and operating loss widened by 16.9% to HK\$7,507,000 compared with that of the same period of the year 2021.

Profit from Investments in Associate

Due to the surge in raw coal and gas prices, Changhai Power suffered a significant increase in cost, which could not be entirely offset even if the year-on-year unit sale price was higher, resulting in a significant year-on-year decrease in operating results. Accordingly, it recorded an operating profit of approximately HK\$15,920,000 and contributed profit of approximately HK\$4,727,000, representing a significant year-on-year decrease of 81.4%.

Financial Position and Analysis

As at 31 December 2022, the Remaining Group had total assets of HK\$5,857,455,000, total liabilities of HK\$4,873,403,000, a gearing ratio (being total liabilities divided by total assets) of 83.2% (*note*), net assets of HK\$984,052,000, and equity per share attributable to owners of the Company of HK12.54 cents.

The Remaining Group had net current liabilities of HK\$227,499,000, a current ratio (being current assets divided by current liabilities) of approximately 0.89 times (*note*) and the Remaining Group had bank balance and cash of HK\$753,903,000, sufficient for capital requirements for future operation and new projects or business development of the Remaining Group.

Note: Group has utilized the loan facility to the extent of US\$90,000,000 (equivalent to approximately HK\$703,094,000) as an investment cost for registered capital injection of Sino Rock Tyco. After Sino Rock Tyco Group is deconsolidated, the net asset value of the remaining group's assets will decrease accordingly. However, the relevant borrowings have not been accounted for and so higher gearing ratio and lower current ratio compared with before will be resulted. After adjustment of deduction of the relevant borrowings, the adjusted gearing ratio and current ratio will be decreased to 71.2% and 1.23 respectively.

Pledge of Assets

As at 31 December 2022, properties of the Remaining Group for own use and investment, bank deposits, and the carrying value of finance lease receivables amounted to approximately HK\$3,298,543,000, with approximately HK\$2,782,574,000 of finance lease receivables pledged to banks as the security for bank borrowings granted to the Remaining Group.

Foreign Exchange Exposure

The Remaining Group's main operating income and costs are denominated in RMB. In the business operation of the Remaining Group, foreign exchange fluctuation in income and costs would be mutually offset. However, as the Hong Kong-based Remaining Group has injected a substantial amount of current borrowings into domestic wholly-owned subsidiaries in Mainland China and held a huge amount of monetary assets denominated in RMB, an exchange gain or loss would arise from the appreciation or depreciation of RMB. It is expected that an increase or a decrease of approximately HK\$2,323,000 in the Remaining Group's profit for the year would arise if the exchange rate of RMB to HKD appreciates or depreciates by 5%. Over the few past years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008, starting to fluctuate upward and downward repeatedly. Due to the impact of the Sino-US trade war, deteriorating Sino-US relations and fluid epidemic dynamics in recent years, the exchange rate of RMB against USD fluctuated upward and downward repeatedly within a substantially widened band. While an exchange gain of approximately HK\$937,000 was recorded in 2021, the outbreak of the war between Russia and Ukraine early 2022 led to higher prices in fuel and food, etc. and aggravated inflation across the globe. The United States formally began its rate hike cycle to contain escalating inflation, boosting the appeal and relative strength of USD compared with other currencies. Although the adoption of pegged exchange rate by Hong Kong would alleviate the pressure of exchange loss in respect of HKD against USD, it would increase the risk of exchange loss arising from depreciation of RMB against HKD, resulting in an exchange loss of approximately HK\$6,295,000 instead. Therefore, the Board believes that RMB will be immensely affected by Sino-US relations, fluid epidemic dynamics, USD rate hike cycle and evolving war in Ukraine in the short term, the path of which is hard to predict, but in the long run, it is expected that RMB will remain stable and will not expose the Remaining Group to significant and long term adverse foreign exchange risk. Accordingly, it is not necessary for the Remaining Group to hedge against foreign exchange risk at the moment.

Significant Investments, material acquisitions and disposal

On 27 May 2022, the Remaining Group entered into the share transfer agreement for the acquisition of a 51% equity interest in Huaxin at consideration of RMB4,361,600 to expand blasting operations, thus enabling the excess mixed assembly capacity to release in blasting operations and generating synergy.

On 20 September 2022, Taoyuan Comprehensive Health entered into the engineering, procurement and construction agreement with the consortium comprising Guangdong Yingju Construction Engineering Co., Ltd.* (廣東英聚建築工程有限公司) and Guangdong Province Jianke Architectural Design Institute Co., Ltd.* (廣東省建科建築設計院有限公司) in relation to the engagement of the consortium as the general contractor for design, procurement and construction works for an elderly home at a consideration of RMB136,220,443.70.

(c) For the year ended 31 December 2021***Business Review***

Operating income increased by approximately HK\$54,563,000 due to consolidation of the operating income of Tiannuo upon completion of its acquisition by the Remaining Group in September 2020. Operating income from wellness elderly care business substantially increased by approximately HK\$75,447,000 as the Remaining Group took over Foshan City Nanhai District Taoyuan Welfare Center Co., Limited (“**Taoyuan Welfare Center**”) and Foshan City Nanhai District Taoyuan Rehabilitation Hospital Co., Limited (“**Taoyuan Rehabilitation Hospital**”) in mid-May 2021 by leveraging the reorganization of the welfare center of Nanhai District. In addition, operating income from the growing financial leasing business increased by approximately HK\$57,542,000, and operating income of other businesses also delivered satisfactory performance as compared with the same period of the year 2020. All these, together with other factors, contributed to a substantial increase in total revenue from continuing operations of the Remaining Group to HK\$197,793,000 for the year ended 31 December 2021, representing a significant increase of 67.7% year-on-year.

Compared with the loss of disposal amounting to approximately to HK\$39,177,000 and an impairment loss on other receivables of part of the remaining unpaid consideration amounting to HK\$38,033,000 generated from the disposal of 25% interest of Guangdong Financial Leasing Co., Ltd.*, there was no similar loss incurred for the year. Additionally, as interest rate generally continued to decline, the Remaining Group refinanced a sum of US\$90,000,000 (equivalent to approximately HK\$701,756,000) in 2020, leading to decreased finance costs such as interest expenses and refinancing bank charges by approximately HK\$16,631,000 for the year ended 31 December 2021 as compared to that of the year ended 31 December 2020. However, special fair value gains of approximately HK\$20,094,000 were recorded for financial assets at fair value through profit or loss for the year ended 31 December 2020, as compared to fair value loss of approximately HK\$16,295,000 for financial assets at fair value through profit or loss for the year ended 31 December 2021. Moreover, the sharp rise in coal prices for the year resulted in a significant increase in costs and a decrease in profits for Changhai Power, and thus the profit shared by the Remaining Group decreased substantially by approximately HK\$42,536,000 as compared with the year 2020. Combined with other factors, the net loss of the Remaining Group was decrease from of approximately HK\$45,289,000 for the year ended 31 December 2020 into approximately HK\$492,000 for the year ended 31 December 2021.

Elderly Care and Wellness Business

The Remaining Group will continue to develop a three-tier elderly care system comprising institutions, communities and households in Nanhai District. During the year, capitalizing on the reorganization of welfare center of Nanhai District, the Remaining Group took over Taoyuan Welfare Center and Taoyuan Rehabilitation Hospital in mid-May 2021 by virtue of entrusted management, thereby successfully extending the institutional elderly care services. Currently, Taoyuan Welfare Center and Taoyuan Rehabilitation Hospital have 990 nursing beds and 250 hospital beds, respectively. As of 31 December 2021, the occupancy rates of nursing beds and hospital beds were 98% and 77%, respectively. In addition, Jiujiang Taoyuan Nursing Home, which is under the Remaining Group's entrusted management, temporarily suspended admission of new elderly residents in the year 2020 due to the prevention and control of the pandemic, which affected the occupancy rate, and is currently open to accept application for nursing beds. As such, the occupancy rate of nursing beds has improved from only approximately 43% as of 31 December 2020 to approximately 60% as of 31 December 2021. In order to promote the further growth of institutional elderly care service leveraging the premium elderly model "integrating medical and care services", and to cater for the nursing needs of Jiujiang Taoyuan Nursing Home which is under the Remaining Group's entrusted management, the Remaining Group established the self-operated Foshan City Nanhai District Taoyuan Nursing Home Company Limited* ("**Taoyuan Nursing Home**") and officially commenced private trial operation on 26 April 2021. As the bed occupation rate is temporarily low, no immediate benefit has been produced at this stage. In addition, the Remaining Group will continue to improve the elderly care environment and facilities, including the renovation and refurbishment of Comprehensive Services Building for the Disabled* (殘疾人綜合服務業務用房), also known as the Composite Building for the Disabled* (殘聯大樓), a 15-storey building with a gross floor area of 18,359 square metre situated in Luocun, Shishan Town, Nanhai District, Foshan City, Guangdong Province, the PRC for medical rehabilitation use so as to improve the facilities of Taoyuan Rehabilitation Hospital. The Remaining Group will also

adjust elderly care services according to needs and optimize nursing services for the elderly, striving to achieve standardized, quality and brand-oriented operation. At present, welfare center of Nanhai District and Jiujiang Nursing Home have been rated as provincial “five-star” and “four-star” elderly care institutions. On the other hand, the Remaining Group will vigorously promote the upgrade of the Smart Elderly Care Services Platform, continue to introduce home-based elderly care service providers, innovate home-based elderly care service offerings, diversify product portfolios and simultaneously employ multiple channels to promote home-based elderly care business. The Remaining Group will also explore the operating model integrating home-based and community elderly care services through combing online and offline operations. For the year ended 31 December 2021, the wellness elderly care business recorded revenue of approximately HK\$77,754,000, representing a significant increase of 32.7 times as compared with last year, and turned operating loss into a slight operating profit of approximately HK\$2,876,000.

Financial Leasing Business

Although the financial leasing business was exposed to the challenges brought by the intensified market competition and the impact of the COVID-19 epidemic, the Remaining Group consistently adhered to the established strategic positioning and business direction, focused on stability while seeking progress and professional development in a strategically flexible manner. The Remaining Group closely focused on the strategic goal of developing into a first-class environmental-friendly and professional financial leasing company in China, continued to cultivate the subsectors of the municipal environmental protection industry, and capitalised on opportunities brought about by the national “Carbon Peak” and “Carbon Neutrality” macro policy and the green financial policy. In September 2021, Canton Greengold Financial Leasing Ltd.* (“**Greengold Leasing**”), a subsidiary of the Company, was certified as a G-1 (highest) green enterprise, which is conducive to the development of business and financing capabilities of Greengold Leasing. With the joint efforts of all staff of Greengold Leasing, the Remaining Group continued to carry out high-quality municipal environmental protection business in Nanhai District of Foshan City and China, and effectively managed relevant risks by strictly reviewing the financial leasing projects before leasing, selecting the best projects among the best and supervising the implementation of post-leasing management. Therefore, no bad debts have incurred so far. Thanks to our unremitting efforts, the operating income increased by 36.3% to approximately HK\$216,144,000 and the operating profit increased by 5.0% to approximately HK\$85,187,000 during the year 2021.

Big Data Business

The Remaining Group will continue to actively develop big data industry projects, focusing on special construction and qualification declaration, construction of existing projects, expansion of new projects and market-oriented business development. In 2021, the Remaining Group obtained the first national secondary node service license for industrial Internet logo analysis issued by the Guangdong Communications Administration, and received the honorary title of “2021 Science and Technology Small and Medium-sized Enterprise”* and won awards in the Foshan Industrial and Internet Security Staff Skills Competition*, evidencing our improving corporate image and market competitive strength. In terms of technology and industry research, the Remaining Group completed 4 patent applications and applied for a total of 5 patents, of which 2 have been granted. The Remaining Group also actively participated in the formulation of industry standards and the compilation of industry guidelines, with a view to creating a favourable industry environment. In terms of the marketisation of technology research and development, however, the Remaining Group’s scale of market-oriented operation of projects is still small. The Remaining Group shall further explore the breakthrough point of long-term operation, expand the scale of market-oriented operation and secure more excellent market-oriented operation projects to step up technology transformation efforts and continue to deepen the exploration of innovative applications and business models. It will not only proactively promote existing special projects, enrich business qualifications, and strengthen the establishment and management of existing projects, but also actively venture into new projects and continue to advance big data business with an emphasis on industrial Internet. Moreover, the Remaining Group will deepen the application and promotion of the industrial Internet identification analysis system, promote the construction of the industrial Internet security public service platform projects, explore the breakthrough point of market-oriented operation, focus on the open platform of Internet of Things and extend business presence into the fields of smart hospitals, smart energy and smart city and develop related products. During the year 2021, despite the COVID-19 pandemic, the operating income increased by 23.7% year-on-year to approximately HK\$32,058,000, and the operating profit increased by 212.3% year-on-year to approximately HK\$5,955,000.

Civil Explosives Business

The Remaining Group completed acquisition of Tiannuo in September 2020 and consolidated the results of the business of Tiannuo, facilitating the Remaining Group to improve its profitability and explore domestic civil explosives business. However, as Tiannuo is currently at the critical stage for technology upgrade and transformation, certain of its production lines have accordingly suspended operation, leading to a slump in production volume and in turn a substantial impact on sales activities. In addition, disposal and/or scrapping of existing fixed assets due to the transformation resulted in millions of one-off losses, which therefore incurred losses of HK\$12,048,000 to Tiannuo. Nevertheless, Tiannuo has completed all technical upgrading and transformation projects and trial production by the end of 2021, and some of the production lines have passed the acceptance and inspection. The Remaining Group expects that Tiannuo would significantly improve its future performance by carrying out such technological upgrade and modification, releasing excessive mixed assembly production capacity and effectively implementing corresponding cost-reduction reform measures.

Property Investments

In terms of rental income from properties, rental income increased by 24.1% to approximately HK\$11,128,000 for the year ended 31 December 2021 as compared with the decreased rental income for the year ended 31 December 2020 as a result of our rental concessions offered to some tenants suffering from the COVID-19 pandemic. Specifically, the overall occupancy rate of China Holdings Building rose to approximately 98.69%, contributing to an increase of 24.3% in rental income to approximately HK\$10,427,000 due to rental adjustment during the period. Shantou Commercial Plaza recorded a decreased by 58.7% in rental income year-on-year to approximately HK\$140,000 as the lease term was not renewed upon maturity in May 2021 and it did not secure new tenants. As for properties in Hong Kong, despite the rental reduction measures offered in 2020, the tenants terminated the lease in May 2020 ahead of expiration due to the impact of the pandemic, and leases with new tenants were not signed until November 2020, leading to an increase in rental income by 132.8% year-on-year to approximately HK\$561,000.

Based on the aforesaid operating results, the operating income from the business of investments in properties recorded an increase of 24.1% to approximately HK\$11,128,000 in 2021, making the operating profit turn from loss to a profit of approximately HK\$16,245,000.

Hotel Business

As Guilin Plaza was deeply impacted by the COVID-19 pandemic in 2020, the hotel room sales business was suspended until late March 2020. Even after it resumed business, the operating results were not satisfactory as it continued to suffer from the repeated outbreaks of the pandemic in 2021. Due to numerous uncertainties in the prospects of the tourism market, recovery of guests from foreign markets was especially difficult, with most of the tourists coming from domestic markets. The hotel flexibly adjusted its customer mix through adopting flexible strategies, but its income was still deeply dented with an unsatisfactory occupancy rate. Although the occupancy rate undesirably fell by 3.78% to 40.41%, the average room rate increased by approximately 10.87% year-on-year, the operating income increased by 19.0% year-on-year to approximately HK\$12,131,000, and the operating loss narrowed by 18.7% year-on-year to approximately HK\$6,422,000.

Profit from Investments in Associate

Due to the soaring unit price of raw coal, Changhai Power suffered an increase in cost. Even if the unit price of sales increased as compared with the year ended 31 December 2020, it was not enough to fully offset the incremental cost, resulting in a significant decline in operating results in 2021. Accordingly, it recorded an operating profit of approximately HK\$80,273,000, contributing a profit of approximately HK\$25,361,000 to the Remaining Group, down by 62.6% year-on-year.

Financial Position and Analysis

As at 31 December 2021, the Remaining Group had total assets of HK\$5,292,429,000, total liabilities of HK\$4,262,424,000, a gearing ratio (being total liabilities divided by total assets) of 80.5% (*Note*), net assets of HK\$1,030,005,000, and equity attributable to owners of the Company per share of HK20.58 cents.

The Remaining Group had net current liabilities of HK\$452,170,000, a current ratio (being current assets divided by current liabilities) of approximately 0.75 times (*note*) and the Remaining Group had bank balance and cash of HK\$286,813,000, sufficient for capital requirements for future operation and new projects or business development of the Remaining Group.

Note: Group has utilized the loan facility to the extent of US\$85,500,000 (equivalent to approximately HK\$666,669,000) as an investment cost for registered capital injection of Sino Rock Tyco. After Sino Rock Tyco Group is deconsolidated, the net asset value of the remaining group's assets will decrease accordingly. However, the relevant borrowings have not been accounted for and so higher gearing ratio and lower current ratio compared with before will be resulted. After adjustment of deduction of the relevant borrowings, the adjusted gearing ratio and current ratio will be decreased to 67.9% and 1.19 respectively.

Pledge of Assets

As at 31 December 2021, properties of the Remaining Group for own use and investment, bank deposits, and finance lease receivables with a carrying value of approximately HK\$3,526,488,000, in which approximately HK\$2,643,168,000 were pledged finance lease receivables, were pledged to banks as the security for the bank borrowings granted to the Remaining Group.

Foreign Exchange Exposure

The Remaining Group's main operating income and costs are denominated in RMB. In the business operation of the Remaining Group, foreign exchange fluctuation of income and costs would be mutually offset. However, as the Hong Kong-based Remaining Group has invested substantial borrowings into domestic wholly-owned subsidiaries in the Mainland whilst owning substantial RMB-denominated monetary assets, an exchange gain or loss will be recorded due to the appreciation or depreciation of RMB. It is expected that an increase or a decrease of approximately HK\$5,214,000 in the Remaining Group's profit for the year would be resulted if the exchange rate of RMB to HK dollars appreciates or depreciates by 5%. Over the few past years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008, starting to fluctuate upward and downward repeatedly. Due to the Sino-US trade war and the deterioration of Sino-US relations in recent years, the exchange rate of RMB against USD continuously weakened; however, China's economy began to recover vigorously after controlling the pandemic effectively while the global economy was staggered by the impact of the COVID-19 outbreak in 2020, stimulating the appreciation of RMB. As a result, an exchange gain of approximately HK\$13,994,000 was recorded in 2020, as compared to only approximately HK\$937,000 in 2021. In addition, the Board expects that USD will enter an interest rate hike cycle in 2022, and the war in Ukraine will lead to risk aversion, which will also have an incalculable

impact on the exchange rate of USD and the RMB. Therefore, the Board believes that RMB will be immensely affected by Sino-US relations, pandemic developments, USD interest rate hike cycle and developments of the Ukraine war in the short term, the path of which is hard to predict, but in the long run, it is expected that RMB will remain stable and will not expose the Remaining Group to significant and long term adverse foreign exchange risk. Accordingly, it is not necessary for the Remaining Group to hedge against foreign exchange risk for the time being.

Significant Investments, material acquisitions and disposal

On 26 August 2021, Taoyuan Comprehensive Health entered into an agreement with State-owned Assets Supervision and Administration Bureau of Nanhai District, Foshan City* (佛山市南海區國有資產監督管理局) for the handover of a comprehensive services building for the disabled to Guangdong Taoyuan for operation, management and use for the payment of no more than RMB56,350,000 for a term of 40 years.

On 8 November 2021, Taoyuan Comprehensive Health entered into the engineering, procurement and construction agreement with the consortium comprising Guangdong Province Building and Construction Building and Construction Co., Ltd.* (廣東省構建工程建設有限公司), Guangdong Jianya Interior Design and Engineering Co., Ltd.* (廣東建雅室內工程設計施工有限公司) and Zhongyu Design Co., Ltd.* (中譽設計有限公司) in relation to the engagement of the consortium as the general contractor for design, procurement and construction works for the renovation and refurbishment of a comprehensive services building for the disabled at a consideration of RMB70,902,702.37.

(d) For the year ended 31 December, 2020

Business Review

Operating income increased by approximately HK\$78,071,000 and HK\$7,028,000 respectively from the growing financial leasing business and big data business, and increased by approximately HK\$86,284,000 due to consolidation of the operating income of Tiannuo upon completion of its acquisition by the Group in September 2020. As most of the remaining units of Shantou Commercial Plaza were sold last year, making it very unlikely to derive income from sale of development properties in the year, operating income decreased by approximately HK\$30,378,000. However, the Remaining Group still recorded a significant increase of 82.3% in total revenue from continuing operations to HK\$292,269,000 for the year ended 31 December 2020 as a result of the combined effects of the above and other factors.

Despite the increased profit contribution to the Remaining Group from the development of financial leasing business mentioned above, the Remaining Group saw a significant decline in profit and recorded a net loss of approximately HK\$45,289,000 in 2020, representing a turnaround from profit to loss, because the effective period of limitation of the payables for convertible notes which became due in 2007, together with the accrued interest, had lapsed; and one- off income of approximately HK\$78,819,000 were recorded for the year ended 31 December 2019, but there is no such gain for the year ended 31 December 2020; and a loss of disposal amounting to approximately to HK\$39,177,000 and an impairment loss on other receivables of part of unpaid consideration amounting to HK\$38,033,000 generated in the disposal of 25% interest of Guangdong Financial Leasing Co., Ltd.* were recorded for the year ended 31 December 2020. In addition, special gain of approximately HK\$41,015,000 from increase in fair value of financial assets at fair value through profit or loss were recorded for the year ended 31 December 2019, while only increase in fair value of financial assets at fair value through profit or loss of approximately HK\$20,094,000 was recorded for the year ended 31 December 2020.

Elderly Care and Wellness Business

The Remaining Group will continue to develop a three-tier elderly care system comprising institutions, communities and households in Nanhai District. Last year, the Remaining Group successfully collaborated with Jiujiang Town to launch the first town-level quality elderly care service project in Nanhai District, and was responsible for investing in and operating Jiujiang Taoyuan Nursing Home. Yet, as the project was still at the start-up investment stage, and the epidemic broke out in 2020, China adopted very stringent prevention and control principles for the elderly business. To implement anti-epidemic measures and ensure quality elderly care services with a commitment to build an apt and warm elderly haven, the Remaining Group will further implement standing prevention and control measures as a normal practice to combat the epidemic and successfully protect the lives of the elderly by giving priority to safety consistently. The Remaining Group initially suspended admission of new elderly residents, which affected the occupancy rate. As at the end of 2020, the average occupancy rate of nursing beds was only 43%, failing to reach the breakeven point. Accordingly, the Remaining Group temporarily waived the operation and management fees from the nursing home, and failed to record any income from the project. However, the Remaining Group has already established a good reputation in this area and built the Taoyuan elderly care brand in full swing will be conducive to pushing forward the development of the wellness elderly care segment. On another front, the epidemic also affected the Smart Elderly Care Services Platform and disrupted the promotion of elderly care services platform and the development of platform-based value-added services such as referral of home elderly care services and assistance and quality supervision. As a result of the combined effects of the above factors, overall operating income decreased by 70.7% year-on-year to approximately HK\$2,307,000, and a small operating loss of approximately HK\$2,979,000 was recorded, a decrease of 2.4% in loss year-on-year.

Financial Leasing Business

While the financial leasing business was faced with challenges and difficulties brought about by the epidemic, the Remaining Group resolutely adhered to its established strategic plans and firmly followed the path of professionalism in the development of green environmental protection business, consistently focusing on municipal environmental protection fields such as solid waste treatment, sewage treatment and biogas power generation. The Remaining Group carried out a series of inspections on its existing customers to understand and track the fallout on delayed production resumption and collection of receivables. Corporate customers were basically unaffected by the epidemic and asset quality remained good, without any bad debts so far. In addition, to establish a brand image of professionalism in green environmental protection business, the Remaining Group officially renamed Canton Risen Financial Leasing Co., Ltd.*, a subsidiary of the Remaining Group with specialty in financial leasing, as Canton Greengold Financial Leasing Ltd.* (“**Greengold Leasing**”) on 5 June 2020, fully reflecting its strategic goal of becoming a leading financial leasing company with specialty in environmental protection in China, and the first product under the green debt financial leasing scheme was successfully issued in Beijing Financial Assets Exchange on 8 September 2020. Although China’s economy suffered a blow from the epidemic and the tension of Sino-US relations, and China’s financial leasing industry faced mounting pressure in respect of risks related to bad debts, the Remaining Group believes that it will be able to remain committed to professionalism in green environmental protection business, effectively manage relevant risks, improve various business and risk management systems, strengthen post-rental management and achieve solid development results through continuous efforts, as the demand for financial leasing rises and the impact of the financial leasing industry on the economy increases with the diversification of financing models required for China’s economic development, and as the Chinese government continues to step up its support for green finance. In 2020, the segment recorded an operating income of approximately HK\$158,602,000 and an operating profit of approximately HK\$81,111,000, representing a significant increase of 96.9% and 128.8% respectively year-on-year. The segment is expected to become one of the Remaining Group’s main sources of profit in the future.

Big Data Business

In 2020, the big data business conscientiously implemented prevention and control measures and arrangements for work and production resumption in the face of the sudden Coronavirus (“**COVID-19**”) outbreak. It placed emphasis on both prevention and control measures as well as business operations, actively carried out business activities, and strived to promote project development and improve technology R&D capabilities, managing to achieve business growth despite the epidemic. In 2020, operating income increased by 37.2% year-on-year to approximately HK\$25,909,000, and net profit was approximately HK\$1,907,000, a significant increase of 64.8 times year-on-year.

Civil Explosives Business

The Remaining Group has engaged in the operation and management of civil explosives business and gradually accumulated relevant experience through Tiannuo, a 49%-owned associate, since 2018. In order to further expand its footprint in civil explosives business, the Remaining Group entered into an agreement on 22 June 2020 to further acquire an additional 2% equity interest in Tiannuo completed such transaction in September 2020 and consolidated the results of the business of Tiannuo, facilitating the Remaining Group to improve its profitability and explore domestic civil explosives business. Tiannuo contributed a gain of HK\$663,000 to the Remaining Group this year. In addition, it contributed attributable gain of approximately HK\$181,000 to the Remaining Group before the acquisition transaction was completed.

Although Tiannuo is currently affected by the on-going technological modification project, causing temporary suspension of some production lines and a decline in sales volume, which puts a strain on its profitability in 2021, the Remaining Group still believes that Tiannuo will significantly improve its future performance by carrying out technological upgrade and modification and effectively implementing corresponding cost-reduction reform measures.

Property Investments

The Remaining Group's overall rental income from investment properties in 2020 decreased by 5.8% year-on-year to approximately HK\$9,309,000, mainly because most of the remaining properties of Shantou Commercial Plaza were successfully sold in 2019, resulting in a reduction in rental area. In addition, to alleviate the hardship suffered by tenants as a result of the epidemic, the Remaining Group offered a series of rental reduction measures in the year, leading to a decrease in rental income. Specifically, the overall occupancy rate of China Holdings Building rose to approximately 95.16%, and its rental income increased slightly to approximately HK\$8,390,000 after taking into account the impact of the rental reduction measures. As most of the remaining properties of Shantou Commercial Plaza were sold in 2019, its rental income decreased by 66.9% year-on-year to approximately HK\$339,000. As for properties in Hong Kong, despite the rental reduction measures offered by the Remaining Group, the tenants terminated the lease in May 2020 ahead of expiration due to the impact of the epidemic, and leases with new tenants were not signed until November, leading to a decrease in rental income by 66.2% year-on-year to approximately HK\$241,000.

Hotel Business

The tourism service industry was hard hit by COVID-19 and experienced a challenging and unusual year in 2020. Guilin Plaza felt the pinch of the epidemic outbreak in early 2020 with the closure of scenic spots and hotels in Guilin, cancellation of tour Remaining Groups and temporary stagnation of the tourism market. As a result, the hotel room sales business was suspended until late March 2020. Even when it resumed business, the tourism market recovered slowly, and recovery of tourists from foreign markets was especially difficult, with most of the tourists coming from domestic markets. The hotel flexibly adjusted its customer mix through adopting flexible strategies, but its income was still deeply dented with an unsatisfactory occupancy rate. The average occupancy rate decreased by 15.62% year-on-year to 44.19%. The average room rate also dropped by approximately 10.81% year-on-year. The operating income decreased significantly by 24.6% year-on-year to approximately HK\$10,197,000, and the operating loss widened by 43.5% year-on-year to approximately HK\$7,898,000. It is expected that the revenue and operating results of Guilin Plaza will remain pessimistic in 2021.

As the epidemic severely shocked business in the home-stay lodging industry, China Select Small Hotel Union Limited, a 51%-owned subsidiary of the Remaining Group, experienced continued operating difficulties. On 1 July 2020, it decided to terminate its business and initiated the liquidation procedures.

Profit from Investments in Associate

The outbreak of the epidemic at the beginning of the year not only affected the resumption of work and production, but also continuously affected the Chinese and global economies. Consequentially, Nanhai Changhai saw a decline in operating performance with an operating profit of approximately HK\$212,442,000, weighed down by dampened customer demands and affected by the on-going technological modification project. It contributed profit of approximately HK\$67,716,000 to the Remaining Group, representing a year-on-year decrease of 7.9%.

Financial Position and Analysis

As at 31 December 2020, the Remaining Group had total assets of HK\$3,511,185,000, total liabilities of HK\$2,636,811,000, a gearing ratio (being total liabilities divided by total assets) of 75.1 % (*note*), net assets of HK\$874,374,000, and equity attributable to owners of the Company per share of HK19.99 cents.

The Remaining Group had net current liabilities of HK\$711,908,000, a current ratio (being current assets divided by current liabilities) of approximately 0.47 times (*note*) and the Remaining Group had bank balance and cash of HK\$374,789,000, sufficient for capital requirements for future operation and new projects or business development of the Remaining Group.

Note: Group has utilized the loan facility to the extent of US\$90,000,000 (equivalent to approximately HK\$697,826,000) as an investment cost for registered capital injection of Sino Rock Tyco. After Sino Rock Tyco Group is deconsolidated, the net asset value of the remaining group's assets will decrease accordingly. However, the relevant borrowings have not been accounted for and so higher gearing ratio and lower current ratio compared with before will be resulted. After adjustment of deduction of the relevant borrowings, the adjusted gearing ratio and current ratio will be decreased to 55.2% and 0.98 respectively.

Pledge of Assets

As at 31 December 2020, properties of the Remaining Group for own use and investment, bank deposits and finance lease receivables with a carrying value of approximately HK\$1,557,056,000, in which approximately HK\$1,211,168,000 were pledged finance lease receivables, were pledged to banks as the security for the bank borrowings granted to the Remaining Group.

Foreign Exchange Exposure

The Remaining Group's main operating income and costs are denominated in RMB. In the business operation of the Remaining Group, foreign exchange fluctuation of income and costs would be mutually offset. However, as the Hong Kong-based Remaining Group has injected a substantial amount of current borrowings into domestic wholly-owned subsidiaries in Mainland China and held a huge amount of monetary assets denominated in RMB, an exchange gain or loss would arise from the appreciation or depreciation of RMB. It is expected that an increase or a decrease of approximately HK\$9,072,000 in the Remaining Group's loss for the year would arise if the exchange rate of RMB to HKD appreciates or depreciates by 5%. Over the few past years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008, starting to fluctuate upward and downward repeatedly. Due to the Sino-US trade war in recent years, the exchange rate of RMB against USD continuously weakened; however, China's economy began to recover vigorously after controlling the epidemic effectively while the global economy was staggered by the impact of the epidemic this year, stimulating the appreciation of RMB, which not only reversed the deteriorating situation of exchange loss of approximately HK\$1,141,000 due to the sharp depreciation of the exchange rate of RMB against USD during 2019 arising from the Sino-US trade war, but also generated exchange gain of approximately HK\$13,994,000 in 2020. Therefore, the Board believes that RMB will be immensely affected by the Sino-US trade war and epidemic dynamics in the short term, the path of which is hard to predict, but in the long run, it is expected that RMB will remain stable and will not expose the Remaining Group to significant and long term adverse foreign exchange risk. Accordingly, it is not necessary for the Remaining Group to hedge against foreign exchange risk at the moment.

Significant Investments, material acquisitions and disposal

On 22 June 2020, the Remaining Group entered into the acquisition agreement with Foshan City Nanhai District Lianhua Asset Operation & Management Co., Ltd.* (佛山市南海區聯華資產經營管理有限公司) to further acquire an additional 2% equity interest in Tiannuo at a consideration of RMB6,675,763.37.

(e) Contingent liabilities

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Remaining Group did not have any material contingent liabilities.

(f) Capital commitments

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Remaining Group's had recorded commitments of HK\$221,353,000, HK\$358,437,000, HK\$236,178,000 and HK\$194,463,000 respectively.

(g) Employees

The total number of employees of the Remaining Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 was approximately 495, 916, 1159 and 1,261 respectively. For the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the Remaining Group reported total staff costs (including directors' emoluments) of HK\$89,404,000, HK\$158,237,000, HK\$197,891,000 and HK\$88,232,000 respectively.

The remuneration of the employees of the Remaining Group is determined on the basis of performance and responsibility of the employees. The Remaining Group provides education allowances to the employees. The Remaining Group also provides internal training to its employees to enable them to achieve self-improvement and to enhance their job-related skills. The Remaining Group also operated a share option scheme, under which qualified employees may exercise their options at an agreed price to subscribe for shares of the Company. The share option scheme was adopted by shareholders of the Company at the annual general meeting held on 26 April 2013 (the "**Share Option Scheme**"). The Share Option Scheme was for a term of 10 years from the date of adoption and has expired on 26 April 2023. No option has been granted since the adoption of the Share Option Scheme. The number of options available for grant under the Share Option Scheme was 118,832,914 Shares as at 1 January 2023 and nil as at 30 June 2023.

(h) Capital Structure

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Remaining Group's objectives when managing capital are to safeguard the Group and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, issue new shares or sell assets to reduce debts.

The Remaining Group's assets portfolio was mainly financed by its shareholders' funds and bank and other borrowings:

	At 30 June		At 31 December	
	2023	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Shareholders' funds of the Remaining Group	1,845,465	1,925,113	2,006,096	1,841,452
Bank and other borrowings of the Remaining Group	4,336,391	3,599,878	3,101,061	1,569,201
Convertible notes (principal: HK\$166,232,000 & coupon rate: 2% p.a.)	151,423	143,833	132,644	122,565
Bank and other borrowings of the Remaining Group				
Denominated in:				
RMB	4,108,046	3,366,868	2,889,044	1,379,831
HK\$	228,345	233,010	212,017	189,370
US\$	–	–	–	–

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, the Remaining Group's bank and other borrowings were repayable:

Within the first year	1,393,498	1,204,005	938,019	547,565
Within the second year	1,564,150	1,183,445	742,613	458,926
Within the third to fifth years	1,038,265	1,146,919	1,420,429	562,710
After the fifth year	340,478	65,509	–	–
	<u>4,336,391</u>	<u>3,599,878</u>	<u>3,101,061</u>	<u>1,569,201</u>
Fixed interest rates of bank and other borrowings per annum	3% to 6.5%	3% to 6.5%	3% to 7.5%	3% to 6.07%
Floating interest rates of bank and other borrowings per annum	2.73% to 5.5%	1.25% to 5.75%	1.42% to 6.18%	1.95% to 6.5%

The Remaining Group does not have any foreign currency hedging policy and does not use financial instruments for hedging purpose.

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) Interests and short positions of directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company were as follows:

Long positions in the Shares

Name of Director	Capacity	Nature of interest	Number of Shares held	Approximate percentage of total issued Shares as at the Latest Practicable Date ¹
He Xiangming	Beneficial owner	Personal	1,441,000	0.08%

Note: 1. The percentage was calculated based on 1,712,329,142 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under 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) Interests and short positions of the Shareholders in the Shares, underlying Shares of the Company

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity of Shareholder	Number of Shares/underlying Shares		Approximate percentage of total issued Shares as at the Latest Practicable Date ¹
		Long position	Short position	
Glories Holdings (HK) Limited	Beneficial Owner	1,441,439,842 ²	–	84.18%
Prize Rich Inc.	Corporate Interest	1,441,439,842 ²	–	84.18%
Purchaser	Corporate interest	1,441,439,842 ²	–	84.18%

Notes: 1. The percentage was calculated based on 1,712,329,142 Shares in issue as at the Latest Practicable Date.

2. These 1,441,439,842 shares/underlying shares are held by Prize Rich Inc., which is wholly-owned by the Purchaser. On 25 July 2022, Prize Rich Inc. agreed to transfer 1,222,713,527 shares and HK\$166,232,000 convertible bonds (with underlying shares of 218,726,315) to its wholly-owned subsidiary, Glories Holdings (HK) Limited, pursuant to the equity and convertible bonds transfer agreement.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO.

As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or his or her respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

- (a) the design and construction agreement dated 20 September 2022 entered into between Guangdong Taoyuan Comprehensive Health Operation Co., Ltd.* (廣東桃苑大健康產業運營有限公司) and the consortium comprising Guangdong Yingju Construction Engineering Co., Ltd.* (廣東英聚建築工程有限公司) and Guangdong Province Jianke Architectural Design Institute Co., Ltd.* (廣東省建科建築設計院有限公司) in relation to the engagement of the consortium as the general contractor for design, procurement and construction works for an elderly home at a consideration of RMB136,220,443.70;
- (b) the engineering design, procurement and construction agreement dated 28 April 2023 entered into between Sino Rock Tyco and the consortium comprising Guangdong Structural Engineering Construction Co., Ltd.* (廣東省構建工程建設有限公司), Hangzhou Urban Construction Design and Research Institute Co., Ltd.* (杭州市城建設計研究院有限公司) and East China 267 Engineering Survey Institute of Nuclear Industry* (核工業華東二六七工程勘察院) in relation to the engagement of the consortium as the general contractor for design, procurement and construction works for a new energy factory project at a consideration of RMB202,190,200;
- (c) the engineering design, procurement and construction agreement dated 10 July 2023 entered into between Guangdong Province Funeng Power Co., Ltd.* (廣東賦能電力有限公司), a subsidiary of the Company, and the successful bidders comprising Guangdong Sunkwh Energy Co., Ltd.* (廣東光合新能源有限公司) and Guangzhou Bochuang Electric Power Design Institute Co., Ltd.* (廣州博創電力設計院有限公司) in relation to the engagement of the successful bidders as the general contractor for design, procurement and construction works for a photovoltaic power generation project at a consideration of RMB33,458,774.40;

- (d) the engineering design, procurement and construction agreement dated 8 November 2023 entered into between Sino Rock Tyco and the successful bidders comprising of China Construction Third Engineering Bureau Group Co., Ltd.* (中建三局集團有限公司) and Zhongyu Design Co., Ltd.* (中譽設計有限公司), in relation to the engagement of these successful bidders as the general contractors for survey, design, procurement, turnkey construction, commissioning testing and incidental works for a new energy factory project at a consideration of RMB129,947,400; and
- (e) the Disposal Agreement.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

8. EXPERT AND CONSENT

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

Name	Qualification
Octal Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Allied Appraisal Co., Ltd.	Independent qualified valuer
HLM CPA Limited	Certified Public Accountants, Registered Public Interest Entity Auditor
Guangdong J&J Law Firm	PRC lawyers

As at the Latest Practicable Date, the above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter and report (as the case may be) and references to their names and logos in the form and context in which they respectively appear. As at the Latest Practicable Date, each of the above experts:

- a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

- b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2022), 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.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://chinainvestments.tonghair.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the material contracts mentioned in the paragraph headed “Material Contracts” in this Appendix, including the Disposal Agreement;
- (b) the letter from the Independent Board Committee as set out from pages 18 to 19 of this circular;
- (c) the letter from Octal Capital Limited, the Independent Financial Adviser, as set out from pages 20 to 47 in this circular;
- (d) the annual reports of the Company for the three financial years ended 31 December 2020, 2021 and 2022;
- (e) the interim report of the Company for the six months ended 30 June 2023;
- (f) the Valuation Report as set out in Appendix I to this circular;
- (g) the reports on the unaudited financial information of Sino Rock Tyco Group for the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023, the text of which is set out in Appendix III to this circular;
- (h) the report on the unaudited pro forma financial information of the Remaining Group illustrating the effect of the Disposal, the text of which is set out in Appendix IV to this circular;
- (i) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (j) this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lo Tai On, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

- (c) The head office and principal place of business in Hong Kong of the Company is Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Progressive Limited situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

* *For identification purpose only*

NOTICE OF FIRST SPECIAL GENERAL MEETING



CHINA INVESTMENTS HOLDINGS LIMITED

中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

NOTICE OF FIRST SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first special general meeting (the “**First SGM**”) of China Investments Holdings Limited (the “**Company**”) will be held at Luxembourg Room, 3rd Floor, Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 18 January 2024 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** (i) the Disposal Agreement (as defined in the circular of the Company dated 29 December 2023 in relation to the proposed disposal of 72% equity interest in a non-wholly owned subsidiary of the Company (the “**Circular**”) and a copy of which is tabled before the First SGM marked “A” and initialed by the chairperson of the First SGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and (ii) any director of the Company be and is hereby authorised, in his or her absolute discretion deemed appropriate or expedient and in the interests of the Company and its shareholders as a whole, to do all such acts and things which he/she may consider necessary, desirable or expedient to implement the transactions contemplated under the Disposal Agreement and completion thereof.”

By Order of the Board
China Investments Holdings Limited
Lo Tai On
Company Secretary

Hong Kong, 29 December 2023

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

*Head office and principal place of
business in Hong Kong:*
Unit 501
Wing On Plaza, 62 Mody Road
Tsimshatsui, Kowloon,
Hong Kong

NOTICE OF FIRST SPECIAL GENERAL MEETING

Notes:

1. The First SGM will be held in form of a physical meeting. Any member of the Company entitled to attend, speak and vote at the First SGM shall be entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a member of the Company but must attend the First SGM in person to represent you.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the principal place of business of the Company at Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong not less than forty-eight hours before the time appointed for holding the First SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude any member from attending and voting in person at the First SGM if the member so wishes and in such event, the proxy form shall be deemed to be revoked.
3. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the First SGM, the vote of the holder so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.
4. Record date (being the last date for registration of any share transfer given that there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the First SGM will be Monday, 15 January 2024. In order to qualify for the attendance and voting at the First SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share branch registrar and transfer office in Hong Kong, Tricor Progressive Limited at 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 January 2024.
5. In case of the First SGM (or any adjournment thereof) is anticipated to be affected by black rainstorm or tropical cyclone with warning signal no. 8 or above, Shareholders are suggested to visit the Company's website at <http://chinainvestments.tonghaiir.com> for arrangements of the First SGM (or any adjournment thereof).

* *For identification purpose only*