

---

**THIS RESPONSE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

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

**If you have sold or transferred** all your shares in **Zhongchang International Holdings Group Limited**, you should at once hand this Response Document 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 transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Response Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Response Document.

---



**ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED**

**中昌國際控股集團有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock code: 859)**

**RESPONSE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
CINDA INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF  
GLORY RANK INVESTMENT LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to Zhongchang International Holdings Group Limited**



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

**ALTUS CAPITAL LIMITED**

---

Capitalised terms used in this cover page shall have the same meanings as those defined in this Response Document.

A letter from the Board is set out on pages 5 to 13 of this Response Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation is set out on pages 14 to 15 of this Response Document. A letter from the Independent Financial Adviser containing its advice in respect of the Offer to the Independent Board Committee is set out on pages 16 to 39 of this Response Document.

---

## CONTENTS

---

	<i>pages</i>
<b>EXPECTED TIMETABLE</b> .....	ii
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	14
<b>LETTER FROM ALTUS CAPITAL</b> .....	16
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	40
<b>APPENDIX II – PROPERTY VALUATION REPORT</b> .....	45
<b>APPENDIX III – GENERAL INFORMATION</b> .....	75

---

## EXPECTED TIMETABLE

---

*The expected timetable of the Offer together with the notes thereto below is extracted from the Offer Document for reference.*

The timetable set out below is indicative only and may be subject to changes. Any change to the timetable will be announced by the Offeror as and when appropriate. All the time and date references contained in the Offer Document and the accompanying Form of Acceptance refer to Hong Kong times and dates.

<b>Event</b>	<b>Time &amp; Date</b>
Despatch date of the Offer Document and the accompanying Form of Acceptance ( <i>Note 1</i> ) . . . . .	Wednesday, 29 April 2020
Commencement date of the Offer ( <i>Note 1</i> ) . . . . .	Wednesday, 29 April 2020
Latest date for the posting of the Response Document ( <i>Note 2</i> ) . . . . .	Wednesday, 13 May 2020
Latest time and date for acceptance of the Offer on the First Closing Date ( <i>Notes 3, 4 and 5</i> ) . . . . .	4:00 p.m. on Wednesday, 27 May 2020
Announcement of the results of the Offer and the level of acceptance as at the First Closing Date on the website of the Stock Exchange ( <i>Note 3</i> ) . . . . .	at or before 7:00 p.m. on Wednesday, 27 May 2020
Latest date for posting of remittances for amounts due in respect of valid acceptances received under the Offer on or before the First Closing Date ( <i>Note 6</i> ) . . . . .	Friday, 5 June 2020

*Notes:*

- (1) The Offer is made on Wednesday, 29 April 2020, the despatch date of the Offer Document, and is capable of acceptance on and from that date until 4:00 p.m. (Hong Kong time) on the First Closing Date, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
- (2) Where a period laid down by the Takeovers Code ends on a day which is not a Business day, the period is extended until the next Business Day. In accordance with the Takeovers Code, the Company is required to post the Response Document to the Shareholders within 14 days from the posting of the Offer Document, i.e., on or before Wednesday, 13 May 2020, unless the Executive consents to a later date and the Offeror agrees to extend the Closing Date by the number of days in respect of which the delay in the posting of the Response Document is agreed.
- (3) In accordance with the Takeovers Code, where the Response Document is posted after the date on which the Offer Document is posted, the Offer must initially be open for acceptance for at least 28 days following the date on which the Offer Document is posted. The Offer will be closed at 4:00 p.m. (Hong Kong time) on the First Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine subject to compliance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be issued by the Offeror through the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on the First Closing Date, stating the results of the Offer and whether the Offer has been revised or extended to another Closing Date or until further notice. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code. In the latter case, at least 14 days' notice in writing must be given, before the Offer is closed, to the Shareholders who have not accepted the Offer.

---

## EXPECTED TIMETABLE

---

- (4) If there is a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal in force or “extreme conditions” caused by a super typhoon is announced by the Government of Hong Kong on the Closing Date and it is (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Closing Date, the time and date of the close of the Offer will be postponed to 4:00 p.m. (Hong Kong time) on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Closing Date, the time and date of the close of the Offer will be the same day, i.e., 4:00 p.m. (Hong Kong time) on the Closing Date.
- (5) Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to the Offer Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer are irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the paragraph headed “VI. Right of Withdrawal” in Appendix I to the Offer Document for further information on the circumstances where acceptances may be withdrawn.
- (6) Remittances in respect of the Offer Shares (after deducting the sellers’ ad valorem stamp duty) tendered for acceptance under the Offer will be despatched to the accepting Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date on which the duly completed Form of Acceptance and the relevant documents of title of the Offer Shares are received by the receiving agent to render each of such acceptance of the Offer complete and valid in accordance with the Takeovers Code, the Offer Document and the accompanying Form of Acceptance. Please refer to the paragraphs headed “I. Procedures for Acceptance of the Offer” and “III. Settlement of the Offer” in Appendix I to the Offer Document and the accompanying Form of Acceptance for further information.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

---

## DEFINITIONS

---

*In this Response Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Announcements”	together, the Offer Announcement and the Response Announcement
“associate”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day (days) on which the Stock Exchange is open for the transaction of business
“Charged Shares”	the 843,585,747 Shares charged by Sansheng Hongye in favour of China Cinda (HK) pursuant to the Finance Documents
“China Cinda”	China Cinda Asset Management Co., Ltd. (a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange (stock code: 1359))
“China Cinda (HK)”	China Cinda (HK) Asset Management Co., Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of China Cinda and the sole shareholder of the Offeror
“Cinda International”	Cinda International Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the offer agent and one of the joint financial advisers to the Offeror
“Closing Date”	27 May 2020, being the First Closing date of the Offer (or any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive)
“Company”	Zhongchang International Holdings Group Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 859)
“Convertible Note”	the convertible note issued by the Company on 7 December 2015 with a five-year term in the outstanding amount of HK\$11,000,000, which is convertible into 13,715,710 new Shares upon exercise of the conversion rights attaching to it in full based on the prevailing conversion price of HK\$0.802 per Share
“Director(s)”	the director(s) of the Company from time to time

---

## DEFINITIONS

---

“Donvex Capital”	Donvex Capital Limited, a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity, being one of the joint financial advisers to the Offeror
“Enforcement Action(s)”	collectively, the enforcement actions taken by China Cinda (HK) over the Charged Shares and the Convertible Note held by Sansheng Hongye on 18 October 2019 and 31 December 2019 respectively pursuant to the Finance Documents
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Finance Documents”	the facility agreement and the related financing documents, all dated 15 May 2019, entered into by, among others, Sansheng Hongye and China Cinda (HK)
“First Closing Date”	27 May 2020, being the first closing date of the Offer
“Form of Acceptance”	the form of acceptance and transfer of Offer Shares in respect of the Offer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat, established for the purpose of advising the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser engaged by the Company to advise the Independent Board Committee in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Last Trading Day”	23 March 2020, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Offer Announcement
“Latest Practicable Date”	11 May 2020, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

---

## DEFINITIONS

---

“Offer”	the mandatory unconditional general offer in cash being made by Cinda International for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in the Offer Document
“Offer Announcement”	the announcement dated 3 April 2020 issued by the Offeror in relation to the Offeror’s firm intention to make the Offer
“Offer Document”	the offer document dated 29 April 2020 issued by the Offeror to the Shareholders in connection with the Offer containing, among other things, information relating to the Offeror, the terms and conditions of the Offer and the Form of Acceptance
“Offer Period”	has the meaning given to it in the Takeovers Code, i.e. the period commencing from the date of the announcement of the Company in relation to the Enforcement Action (i.e. 24 October 2019) and ending on the Closing Date
“Offer Price”	the price at which the Offer is made, being HK\$0.5425 per Offer Share subject to the terms of the Offer
“Offer Shares”	has the meaning as defined in the Offer Document, i.e. all the issued Shares (other than those already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it)
“Offeror”	Glory Rank Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Cinda (HK)
“PRC”	the People’s Republic of China and for the purpose of this Response Document shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Relevant Period”	the period commencing from the date falling six months preceding the commencement of the Offer Period on 24 October 2019 (i.e. 24 April 2019), and up to and including the Latest Practicable Date
“Relevant Securities”	has the same meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code
“Response Announcement”	the announcement dated 6 April 2020 issued by the Company in response to the Offer Announcement
“Response Document”	this response document dated 13 May 2020 issued by the Company in response to the Offer

---

## DEFINITIONS

---

“Sansheng Hongye”	Sansheng Hongye (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which controlled the voting rights attached to the Charged Shares prior to the Enforcement Action taken on 18 October 2019 and is a wholly-owned subsidiary of Shanghai Sansheng
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shanghai Aijian”	上海愛建信託有限責任公司 (Shanghai Aijian Trust Co., Limited*), an independent financial institution in the PRC
“Shanghai Sansheng”	上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*), which in turn is ultimately and beneficially controlled by Mr. Chen Jianming
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfer”	has the meaning as defined in the Offer Document, i.e. the transfer of beneficial ownership of all of the Charged Shares from Sansheng Hongye to China Cinda (HK) as a result of the enforcement of the share mortgage dated 15 May 2019 entered into between Sansheng Hongye and China Cinda (HK) in respect of Charged Shares as a collateral pursuant to the facility agreement dated 15 May 2019 entered into among Sansheng Hongye, Mr. Chen Jianming (陳建銘), Ms. Chen Yanhong (陳艷紅), Shanghai Sansheng and China Cinda (HK) in relation to a loan facility in the amount of HK\$700 million for a term of 24 months
“Vincorn”	Vincorn Consulting and Appraisal Limited, the independent professional property valuer appointed by the Company
“Waiver”	the waiver from the obligation of China Cinda (HK) to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Cinda (HK) or parties acting in concert with it pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

\* for identification purpose only



---

## LETTER FROM THE BOARD

---



### ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED

### 中昌國際控股集團有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock code: 859)**

*Executive Directors:*

Mr. Fan Xuerui (*Chairman and Chief Executive Officer*)  
Mr. Pi Minjie  
Mr. Sun Meng  
Ms. Li Guang

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Wang Xin

*Principal place of business in*

*Hong Kong:*

Suite 1711  
Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

*Independent non-executive Directors:*

Mr. Hung Ka Hai Clement  
Mr. Liew Fui Kiang  
Mr. Wong Sai Tat

13 May 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### **MANDATORY UNCONDITIONAL CASH OFFER**

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 24 October 2019, 25 October 2019, 22 November 2019, 23 December 2019, 2 January 2020, 23 January 2020 and 24 February 2020 in relation to, inter alia, the Enforcement Actions taken by China Cinda (HK) over the Charged Shares and the Convertible Note held by Sansheng Hongye on 18 October 2019 and 31 December 2019 respectively. As a result of the Enforcement Action taken on 18 October 2019, China Cinda (HK) acquired control over the voting rights attached to the Charged Shares and triggered the obligation to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Cinda (HK) and parties acting in concert with it unless such obligation is waived by the Executive. China Cinda (HK) has applied to the Executive for the Waiver from the obligation to make a mandatory general offer pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code.

---

## LETTER FROM THE BOARD

---

Before the Stock Exchange trading hours on 24 March 2020, the Company received a notice from Cinda International and Donvex Capital, the joint financial advisers of China Cinda (HK), that China Cinda (HK) will, via the Offeror, make a mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by China Cinda (HK) and parties acting in concert with it.

On 3 April 2020, the Offeror published the Offer Announcement. As disclosed in the Offer Announcement, the Waiver was not granted, and in fulfillment of its obligation, China Cinda (HK) makes the Offer via the Offeror. It was alleged in the Offer Announcement that (i) as a result of the Enforcement Actions, China Cinda (HK) became the beneficial owner of the Charged Shares and the Convertible Note; (ii) as at the date of the Offer Announcement, China Cinda (HK), its ultimate beneficial owner and their respective parties acting in concert owned 843,585,747 Shares (representing approximately 74.98% of the entire issued share capital of the Company) and the Convertible Note; and (iii) as the outstanding Convertible Note is held by China Cinda (HK) which is the sole shareholder of the Offeror, no comparable offer will be made in respect of the Convertible Note.

The Company has been informed by Sansheng Hongye that while China Cinda (HK) has certain rights as provided in the Finance Documents, and China Cinda (HK) has acquired control over the voting rights attached to the Charged Shares as a result of the Enforcement Action taken on 18 October 2019, Sansheng Hongye is of the view that there is no mechanism or procedure provided in the Finance Documents which could give rise to the vesting of the beneficial ownership of the Charged Shares and the Convertible Note with China Cinda (HK), and that Sansheng Hongye is in the process of seeking legal advice on this matter, and will take all appropriate action if needed to protect its legitimate interests in relation to the Charged Shares and the Convertible Note.

On 29 April 2020, the Offeror despatched the Offer Document setting out details of the Offer.

The purpose of this Response Document is to provide you with, among others, information relating to the Group, the recommendation from the Independent Board Committee and the advice from the Independent Financial Adviser in respect of the Offer, and the property valuation report in respect of the Group's property interests issued by Vincorn.

### **THE OFFER**

The information relating to the Offer below is extracted from the Offer Document.

#### **Principal terms of the Offer**

Cinda International is making the Offer, which is unconditional, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

For every Offer Share . . . . . HK\$0.5425 in cash

---

## LETTER FROM THE BOARD

---

The Offer Price of HK\$0.5425 per Offer Share under the Offer is equal to the volume weighted average price of each Share as at the date of the Transfer, i.e. 18 October 2019.

### Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices for each Share as quoted on the Stock Exchange were HK\$1.16 on 25 April 2019 and HK\$0.305 on 31 January 2020, respectively.

Please refer to the Offer Document and the Form of Acceptance for further details of the terms of the Offer and the procedures for acceptance.

### INFORMATION OF THE GROUP

The Group is principally engaged in property investment and leasing in Hong Kong and property development in the PRC.

The following table is a summary of the financial information of the Group for the year ended 31 March 2018, the nine months ended 31 December 2018 and the year ended 31 December 2019 as extracted from the Company's 2017/18, 2018 and 2019 annual reports:

	<b>For the year ended 31 March 2018 HK\$'000 (audited)</b>	<b>For the nine months ended 31 December 2018 HK\$'000 (audited)</b>	<b>For the year ended 31 December 2019 HK\$'000 (audited)</b>
Revenue	47,241	32,787	44,976
Profit/(loss) before taxation	25,667	20,827	(94,377)
Profit/(loss) for the year / period	<u>20,702</u>	<u>17,341</u>	<u>(94,787)</u>
	<b>As at 31 March 2018 HK\$'000 (audited)</b>	<b>As at 31 December 2018 HK\$'000 (audited)</b>	<b>As at 31 December 2019 HK\$'000 (audited)</b>
Consolidated net asset value attributable to the owners of the Company	<u>2,079,069</u>	<u>2,096,308</u>	<u>1,983,294</u>

---

## LETTER FROM THE BOARD

---

Please refer to further details of the Group's financial information set out in Appendix I to this Response Document.

The table below sets out the calculation of the consolidated net asset value attributable to the owners of the Company, which is calculated based on the audited consolidated net asset value as at 31 December 2019 and taking into account the valuation of the Group's property interests as at 31 March 2020:

	<b>Approximate HK\$'000</b>
Audited consolidated net asset value attributable to the owners of the Company as at 31 December 2019	1,983,294
Less: carrying value of the property interest held by the Group and carrying value of the property interest held by the Group's associated companies attributable to the Group as at 31 December 2019	(3,389,928)
Less: addition in the carrying value of the property interest held by the Group and carrying value of the property interest held by the Group's associated companies attributable to the Group during the three months ended 31 March 2020	(48,018)
Add: market value of the property interest held by the Group and carrying value of the property interest held by the Group's associated companies attributable to the Group as at 31 March 2020 ( <i>Note 1</i> )	<u>3,730,215</u>
Reassessed consolidated net asset value attributable to the owners of the Company	<u><u>2,275,563</u></u>
Reassessed consolidated net asset value per Share ( <i>Note 2</i> )	<u><u>HK\$2.02</u></u>

*Notes:*

1. based on the valuation report on the property interests held by the Group prepared by Vincorn, an independent professional property valuer, set out in Appendix II to this Response Document.
2. based on 1,125,027,072 Shares in issue as at the Latest Practicable Date.

---

## LETTER FROM THE BOARD

---

The Board also wishes to provide the following updates on corporate transactions announced by the Company which have yet been completed:

- (i) as set out in the announcement and circular of the Company dated 14 February 2020 and 21 April 2020 respectively, on 13 February 2020, 上海岳信企業管理諮詢有限公司 (Shanghai Yuexin Enterprise Management Consultancy Co. Ltd.\*) (“**Shanghai Yuexin**”), 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co. Ltd.\*) (“**Zhenjiang Tiangong**”), 舟山銘義文化產業投資有限公司 (Zhoushan Mingyi Cultural Assets Investment Co. Ltd.\*) (“**Zhoushan Mingyi**”), all being indirect wholly-owned subsidiaries of the Company, and Shanghai Aijian entered into an agreement to extend the availability period of the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong and the final maturity date of the loans with total outstanding principal amount of RMB469.4 million drawn down therefrom by 12 months to 13 February 2021. The renewal is subject to, among other things, Shareholders’ approval at the special general meeting of the Company convened to be held on 13 May 2020. In the event that the renewal is not approved by the Shareholders at the special general meeting, the Group will negotiate with Shanghai Aijian for other renewal and/or settlement proposal and consider to seek other refinancing options;
  
- (ii) as set out in the announcement of the Company dated 7 April 2020, on 7 April 2020, Zhoushan Mingyi as vendor, 東投地產集團有限公司 (Dongtou Property Group Co. Ltd.\*) (“**Dongtou**”) as purchaser and 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.\*) (“**Hangzhou Minglun**”) (an indirect wholly-owned subsidiary of the Company) entered into a conditional agreement in relation to the sale and purchase of the entire equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest at the consideration of RMB177.27 million. The principal asset of Hangzhou Minglun is its property interest in a land parcel situated at Lin’an District, Hangzhou City, Zhejiang Province, the PRC. Completion of the aforesaid disposal is subject to, among other things, consent of 杭州市規劃和自然資源局臨安分局 (Lin’an Branch of Hangzhou Planning and Natural Resources Bureau\*) (“**Lin’an Resources Bureau**”) and Shareholders’ approval. As at the Latest Practicable Date, the special general meeting for the purpose of seeking Shareholders’ approval for the disposal has yet been convened and held. In order to fulfill the requirement from the relevant government authorities for completion of the disposal, Hangzhou Minglun is considering to obtain an external financing from an independent third party for settlement of the outstanding remaining land premium of RMB173.8 million before proceeding with completion of the disposal; and

---

## LETTER FROM THE BOARD

---

- (iii) as set out in the announcements of the Company dated 8 August 2019, 31 December 2019 and 14 January 2020 and the circular of the Company dated 29 August 2019, on 8 August 2019, 佛山快彤物業服務有限公司 (Foshan Express Property Service Co., Ltd.\*) (“**Foshan Express**”) (an indirect wholly-owned subsidiary of the Company) as purchaser, 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.\*, “**Foshan Sansheng**”) (an indirect wholly-owned subsidiary of Shanghai Sansheng) as vendor and 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.\*) (“**Zhoushan Sansheng**”) entered into a conditional agreement in relation to the sale and purchase of the entire equity interest in Zhoushan Sansheng at the initial consideration of RMB120.0 million (subject to adjustment). The principal asset of Zhoushan Sansheng is a hotel located in Zhoushan City, Zhejiang Province, the PRC. Completion of the aforesaid acquisition is subject to, among other things, Shareholders’ approval and the release of charge over the equity interest of Zhoushan Sansheng in favour of a financial institution. Shareholders’ approval for the acquisition has been obtained at the special general meeting of the Company held on 18 September 2019. On 31 December 2019, the parties to the agreement agreed in writing to extend the long stop date for fulfillment of conditions precedent to 30 June 2020 to allow time for fulfillment of the condition relating to the release of the aforesaid share charge. While the parties are still working towards fulfillment of such condition and considering alternative transaction structure, in light of the outbreak of COVID-19 which has adversely affected the hospitality and tourism industries across all regions, the Company is also re-assessing the terms of the acquisition and considering whether to pursue the transaction if the condition could not be fulfilled on or before the extended long stop date.

Further announcement will be made by the Company if there is any update on the above corporate transactions as and when appropriate.

### INFORMATION OF THE OFFEROR

As stated in the Offer Document, the Offeror is a company incorporated on 12 March 2020 in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of China Cinda (HK). The Offeror has not been in operation since its incorporation. As at the date of the Offer Document, the directors of the Offeror are Mr. Ma Yilin and Mr. Chen Zhiwei.

China Cinda (HK) is a company incorporated on 21 April 1999 in Hong Kong with limited liability. It is an asset management company and a licensed money lender registered under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), principally engages in, among others, debt financing activities. China Cinda (HK) is indirectly wholly-owned by China Cinda, a joint stock company established in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange with stock code 1359. China Cinda and its subsidiaries are principally engaged in distressed asset management, and provide customised financial solutions and differentiated asset management services to their clients through their diversified business platforms. As at the latest practicable date for the purpose of the Offer Document (i.e. 29 April 2020), the directors of China Cinda (HK) are Mr. Ma Yilin and Mr. Chen Zhiwei.

---

## LETTER FROM THE BOARD

---

The non-executive Director of the Company, Mr. Wang Xin, is the managing director of the Special Situations Group of China Cinda (HK) and was appointed to the Board on 23 August 2019. Save as disclosed above, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them are third parties independent of the Company and its connected persons (as defined in the Listing Rules), and are not acting in concert with Sansheng Hongye and parties acting in concert with it.

### **FUTURE INTENTIONS OF THE OFFEROR**

#### **Intention of the Offeror with respect to the Charged Shares**

As stated in the Offer Document, the Offeror intends to dispose of the Charged Shares and is currently in the process of identifying potential purchasers. As of the latest practicable date for the purpose of the Offer Document, the Offeror has not identified any potential purchaser. If the Charged Shares are sold, any subsequent purchaser of the Charged Shares will be under an obligation to conduct a mandatory general offer under Rule 26.1 of the Takeovers Code.

#### **Operation matters, employees and senior management**

As stated in the Offer Document, it is the intention of the Offeror to continue the existing principal business of the Group. While the Offeror is currently in the process of identifying potential purchasers of the Charged Shares, it will conduct a detailed review on the existing principal businesses and operations, including the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development, and will explore other business opportunities for the Group. Save as disclosed in the Offer Document (in particular the change in the composition of the Board), the Offeror does not intend to (i) introduce any major changes to the business nor the existing operating structure of the Group; (ii) discontinue employment of the existing employees of the Group; and (iii) re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business. Please refer to the Offer Document for details.

The Board is aware of the intention of the Offeror in respect of the Group and its employees and is willing to co-operate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

#### **Proposed change to the Board composition of the Company**

The Board is currently made up of eight Directors, comprising four executive Directors, being Mr. Fan Xuerui, Mr. Pi Minjie, Mr. Sun Meng and Ms. Li Guang; one non-executive Director, being Mr. Wang Xin; and three independent non-executive Directors, being Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat.

As stated in the Offer Document, the Offeror will nominate seven new Directors to facilitate the management of the Group. Any of such appointments will be made in compliance with the Takeovers Code and the Listing Rules and will take effect on the earliest day permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate.

---

## LETTER FROM THE BOARD

---

In addition to the above nominees, the Offeror may nominate further Directors (including independent non-executive Directors) to the Board at such time as it considers appropriate to further enhance the management resources and expertise of the Board, upon further review by the Board and its nomination committee. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made as and when appropriate.

Please refer to the Offer Document for the biographies of the proposed new Directors.

### **Public float and maintaining the listing status of the Company**

As stated in the Offer Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the new Directors to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares, i.e. not less than 25% of the Shares will be held by the public.

For the avoidance of doubt, the Offer Shares tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

### **Compulsory acquisition**

As stated in the Offer Document, the Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat, has been formed to give recommendation to the Independent Shareholders on the Offer. Mr. Wang Xin, a non-executive Director, is not included as a member of the Independent Board Committee given that he is an employee of China Cinda (HK) and is therefore not considered to be independent for the purpose of Rule 2.8 of the Takeovers Code. Altus Capital has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Offer.



---

## LETTER FROM THE BOARD

---

### RECOMMENDATION

Having considered the terms of the Offer and the advice from Altus Capital, in particular the factors, reasons and recommendations as set out in the letter from Altus Capital, the Independent Board Committee concurs with the view of Altus Capital that the Offer Price is **not attractive**, rendering the terms of the Offer **not fair and not reasonable**, and accordingly advise the Independent Shareholders **not to accept** the Offer.

For the Independent Shareholders who decide to monetise your investments in the near term before the end of the Offer Period, you are reminded to closely monitor the prices and liquidity of the Shares given the historically low liquidity of the Shares, and shall, having regard to your own circumstances, consider accepting the Offer, if the receivable under the Offer would be higher than the net proceeds from the sale of such Shares in the open market.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this Response Document and the letter from Altus Capital set out on pages 16 to 39 of this Response Document.

Yours faithfully,

By order of the Board

**ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED**

**Fan Xuerui**

*Chairman and Executive Director*



**ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED**

**中昌國際控股集團有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock code: 859)**

13 May 2020

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER**

We refer to the Response Document dated 13 May 2020 issued by the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Response Document.

We have been appointed as members of the Independent Board Committee to give recommendations to the Independent Shareholders on the Offer. Altus Capital has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from Altus Capital on pages 16 to 39 of this Response Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to the Response Document.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered the terms of the Offer and the advice from Altus Capital, in particular the factors, reasons and recommendations as set out in the letter from Altus Capital, we concur with the view of Altus Capital that the Offer Price is **not attractive**, rendering the terms of the Offer **not fair and not reasonable** and we accordingly advise the Independent Shareholders **not to accept** the Offer.

For the Independent Shareholders who decide to monetise your investments in the near term before the end of the Offer Period, you are reminded to closely monitor the prices and liquidity of the Shares given the historically low liquidity of the Shares, and shall, having regard to your own circumstances, consider accepting the Offer, if the receivable under the Offer would be higher than the net proceeds from the sale of such Shares in the open market.

Yours faithfully,

For and on behalf of the

**Independent Board Committee**

**Hung Ka Hai Clement**  
*Independent non-executive  
Director*

**Liew Fui Kiang**  
*Independent non-executive  
Director*

**Wong Sai Tat**  
*Independent non-executive  
Director*

---

## LETTER FROM ALTUS CAPITAL

---

*Set out below is the text of a letter received from Altus Capital, the independent financial adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Response Document.*

# ALTUS

**Altus Capital Limited**

21 Wing Wo Street  
Central  
Hong Kong

13 May 2020

*To the Independent Board Committee*

**Zhongchang International Holdings Group Limited**

Suite 1711, Tower 2, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CINDA INTERNATIONAL CAPITAL LIMITED FOR AND ON BEHALF OF  
GLORY RANK INVESTMENT LIMITED TO ACQUIRE ALL THE ISSUED  
SHARES OF ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the “Letter from the Board” contained in the Response Document dated 13 May 2020 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context requires otherwise.

On 3 April 2020, the Offeror published the Offer Announcement stating that Cinda International will make the mandatory unconditional general offer in cash for and on behalf of the Offeror to acquire all the issued Shares not already owned by the Offeror and parties acting in concert with it.

---

## LETTER FROM ALTUS CAPITAL

---

### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat, has been formed to give advice to the Independent Shareholders on the Offer. Mr. Wang Xin, a non-executive Director, is not included as a member of the independent board committee given that he is an employee of China Cinda (HK) and is therefore not considered to be independent for the purpose of Rule 2.8 of the Takeovers Code.

As the independent financial adviser with respect to the Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Offer are, or are not, fair and reasonable as far as the Independent Shareholders are concerned, and whether the Independent Shareholders should, or should not, accept the Offer.

We are not associated or connected with the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them. Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Offer is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company or the Offeror (other than our said remuneration), their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms, we are independent of the Company and the Offeror and can act as the independent financial adviser to the Independent Board Committee in respect of the Offer.

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Offer Document; (ii) the Response Document; (iii) the annual report of the Company for the year ended 31 December 2019 (“**2019 Annual Report**”); (iv) the annual report of the Company for the nine months ended 31 December 2018 (“**2018 Annual Report**”); (v) the Offer Announcement; and (vi) announcements made by the Company during the two years up to the Latest Practicable Date.

We have relied on the statements, information, opinions and representations contained or referred to in the Offer Document, the Response Document and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Offer Document, the Response Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Response Document. The Company will notify the Independent Shareholders of any material changes to information contained or referred to in the Response Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Independent Shareholders will also be informed as soon as possible when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date and throughout the Offer Period.

---

## LETTER FROM ALTUS CAPITAL

---

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Response Document and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company.

We have not considered the taxation implications on the Independent Shareholders arising from acceptance or non-acceptance of the Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Independent Shareholders as a result of the Offer. In particular, the Independent Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advice on tax matters.

### **PRINCIPAL TERMS OF THE OFFER**

The Offer, which is unconditional, is made by Cinda International for and on behalf of the Offeror in compliance with the Takeovers Code. The Offer Price is HK\$0.5425 in cash for each Offer Share.

The Offer is extended to all Shares in issue on the date on which the Offer is made, being the date of the Offer Document, other than those Shares already held by the Offeror and its parties acting in concert.

As at the Latest Practicable Date, there were a total of 1,125,027,072 Shares in issue. According to the Offer Document, as at the date of the Offer Document, China Cinda (HK), its ultimate beneficial owner and their respective parties acting in concert owned 843,585,747 Shares, representing approximately 74.98% of the entire issued share capital of the Company, and the Convertible Note in the outstanding principal amount of HK\$11,000,000. As the outstanding Convertible Note is held by China Cinda (HK) which is the sole shareholder of the Offeror, no comparable offer will be made in respect of the Convertible Note.

---

## LETTER FROM ALTUS CAPITAL

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background information of the Company

The Company is a company incorporated in the Bermuda with limited liability. Sansheng Hongye acquired the controlling equity interests in the Company in December 2017. The Group is principally engaged in property investment in Hong Kong for leasing and property development in the PRC.

The investment properties portfolio of the Group comprises commercial and residential properties located in Causeway Bay and Mid-Levels, Hong Kong with a total area of approximately 5,000 square metres. Jardine Center, a commercial property located in Causeway Bay, is the Group's core investment property, contributing over 60% of the Group's revenue for the year ended 31 December 2019.

For its property development business, the Group's portfolio mainly comprises three parcels of land in Zhenjiang City, Jiangsu Province, the PRC, acquired in 2019, which is being developed into mixed-used residential and commercial properties in three phases with total planned gross floor area of approximately 160,000 square metres (the "**Zhenjiang Land**"). Construction work commenced in March 2019 and is expected to complete by the first quarter of 2023. The first batch of pre-sales commenced in August 2019.

The Group also owns 48.51% effective interest, through an associated company, in a land in Jinhua City, Zhejiang Province, the PRC, which is being developed into a mixed-use residential and commercial complex in two phases with a total gross floor area of approximately 337,530 square metres (the "**Jinhua Project**"). Development of the first and second phases of the project commenced in 2018 and is expected to complete by the end of 2020 and early 2021 respectively. Pre-sale of first and second phases of the project was launched in July 2018 and the first quarter of 2019 respectively.

For the outlook of the Group's property investment and property development business, including the potential impact brought by the COVID-19 outbreak, please refer to section 1.4 below.

During the nine months ended 31 December 2018 and the year ended 31 December 2019, the Group was also engaged in the provision of property project management services in the PRC. Considering that such business had limited potential in the PRC market and the performance of such business had not been satisfactory, the Board resolved to suspend such business since October 2019 for long-term business development of the Group and to reallocate resources towards the Group's core business in property leasing and property development.

---

## LETTER FROM ALTUS CAPITAL

---

### 1.1. Financial Information of the Group

Set out below is a table summarising certain financial information of the Group extracted from the 2019 Annual Report and the 2018 Annual Report. Please note that the financial year end date of the Company changed from 31 March to 31 December effective from 31 December 2018, and therefore, annualised profit or loss figures for the nine months ended 31 December 2018 are presented for comparison purpose.

	<b>Year ended</b>	<b>Nine months ended</b>	<b>Year ended</b>
	<b>31 March 2018</b>	<b>31 December 2018</b>	<b>31 December 2019</b>
	<i>(audited)</i>	<i>(Annualised)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	47,241	43,716	44,976
– Property investment	47,241	38,607	39,179
– Property development	–	–	–
– Property project management services	–	5,109	5,797
Share of results of an associate	–	–	(1,789)
Profit/(loss) from operations	37,049	52,175	(43,017)
Profit/(loss) before taxation	25,667	27,769	(94,377)
Profit/(loss) for the year/period	20,702	23,121	(94,787)
	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 March 2018</b>	<b>31 December 2018</b>	<b>31 December 2019</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	2,682,459	2,973,426	3,739,456
– Investment properties	1,927,500	1,946,700	1,921,600
– Properties for sale	–	–	843,117
– Investment in an associate	–	–	206,001
Total liabilities	603,390	877,118	1,756,162
Net assets	2,079,069	2,096,308	1,983,294

*Nine months ended 31 December 2018 compared to year ended 31 March 2018*

For the nine months ended 31 December 2018, while the Group started to engage in property project management services business, its annualised total revenue for the period decreased by approximately 7.5% as compared with the year ended 31 March 2018. Such decrease was due to a fall in revenue generated from the property investment segment, which was in turn mainly attributable to the disposals of two properties during the year ended 31 March 2018. The Group had no ongoing property development projects for the year ended 31 March 2018 and the nine months ended 31 December 2018, and no revenue was derived from the property development segment.



---

## LETTER FROM ALTUS CAPITAL

---

Despite the decrease in annualised revenue, the Group's annualised profit for the nine months ended 31 December 2018 increased by approximately 11.7% as compared with the year ended 31 March 2018, which was mainly due to the increase in net gain in fair value of investment properties. If the one-off gains or losses in relation to fair value of investment properties are excluded, the Group would record an adjusted net annualised loss of approximately HK\$2.5 million for the nine months ended 31 December 2018, as compared with a net profit of approximately HK\$0.2 million for the year ended 31 March 2018.

The Group's net assets remained relatively stable as at 31 March 2018 and 31 December 2019.

### *Year ended 31 December 2019 compared to nine months ended 31 December 2018*

For the year ended 31 December 2019, the Group's total revenue slightly increased by approximately 2.9% as compared with the annualised total revenue for the nine months ended 31 December 2018, which was attributable to increase in gross rental income from investment properties and revenue from property project management services. The Group had yet to generate any revenue from property development segment as the construction of the pre-sold properties of Zhenjiang Project had not completed as at 31 December 2019.

The Group recorded a net loss of approximately HK\$94.8 million for the year ended 31 December 2019 as compared with a net annualised profit of approximately HK\$23.1 million for the nine months ended 31 December 2018. Such significant deterioration in profit was mainly due to (i) decrease in fair value of investment properties in Hong Kong as a result of local social unrest and economic uncertainties; (ii) increase in staff costs and other operating expenses due to the commencement of property project management business in late 2018 and the Zhenjiang Project in 2019; (iii) impairment loss under expected credit loss model on certain financial assets; and (iv) impairment on investment in associate due to decline in selling prices of the properties of Jinhua Project. If the one-off gains or losses in relation to fair value of investment properties and impairment are excluded, the Group would record an adjusted net loss of approximately HK\$28.1 million for the year ended 31 December 2019, as compared with the adjusted net annualised loss of approximately HK\$2.5 million for the nine months ended 31 December 2018.

The Group's net assets as at 31 December 2019 decreased by approximately 5.4% as compared with 31 December 2018, which was mainly due to the increase in bank and other borrowings, partially offset by the increase in total assets of the Group as a result of the acquisition of Zhenjiang Project and the non-controlling interest in Jinhua Project. The properties for sale held by the Group as at 31 December 2019 represented properties under development and completed properties of Zhenjiang Project.

---

## LETTER FROM ALTUS CAPITAL

---

### *Reassessed NAV*

The net asset value (“NAV”) of the Group was approximately HK\$2.0 billion as at 31 December 2019. Set out below is the illustrative computation of the NAV having adjusted for the valuation surplus (the “**Reassessed NAV**”) to reflect the market value of the properties held by the Group as set out in the valuation report prepared by Vincorn as set out in Appendix II to the Response Document.

	<i>Approximate HK\$'000</i>
Audited consolidated net asset value attributable to the owners of the Company as at 31 December 2019	1,983,294
Less: carrying value of the property interest held by the Group and carrying value of the property interest held by the Group’s associated companies attributable to the Group as at 31 December 2019	(3,389,928)
Less: addition in the carrying value of the property interest held by the Group and carrying value of the property interest held by the Group’s associated companies attributable to the Group during for the three months ended 31 March 2020	(48,018)
Add: market value of the property interest held by the Group and carrying value of the property interest held by the Group’s associated companies attributable to the Group as at 31 March 2020 based on the valuation report prepared by Vincorn	<u>3,730,215</u>
Reassessed NAV	<u><u>2,275,563</u></u>

### **1.2. Renewal of loan facilities**

We noted the Company published an announcement on 14 February 2020 and a circular on 21 April 2020 (the “**Renewal Circular**”) that considering the loan facilities (the “**Facilities**”) drawn down by the Group for the acquisition and the construction of the Zhenjiang Project shall be repayable on 13 February 2020, the Group entered into the renewal agreement (the “**Agreement**”) in relation to the Loans with the lender, pursuant to which the lender agreed to the renewal (the “**Renewal**”) subject to and conditional upon the terms and conditions set out in the Agreement.

According to the Renewal Circular, the outstanding principal amount of the Loans is RMB469.4 million, of which RMB398.4 million bears interest at a rate of 11% per annum and RMB71.0 million bears interest at a rate of 23% per annum. The Facilities are secured by, among other things, the Zhenjiang Land, the entire equity interest in Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd. (which is an indirect wholly-owned subsidiary of the Company and the holder of the Zhenjiang Land) and guaranteed by Mr. Chen Jianming and Shanghai Sansheng. The Renewal is subject to, among other things, approvals by the Board, the Shareholders, the Stock Exchange and the SFC (if required). In the event that the Company fails to obtain the necessary approvals on or before 13 May 2020, the lender shall have the right to terminate the Agreement, upon which the

---

## LETTER FROM ALTUS CAPITAL

---

terms of the Renewal shall lapse with effect from 13 February 2020 and the amounts owed under the Facilities (the “**Owed Amount**”) (including outstanding principal, interest accrued thereon, penalty interest and compound interest), which is expected to be not more than RMB550.0 million in total as advised by the Management, shall be repaid in accordance with the original terms of the Facilities. As at 31 December 2019, the Group had cash and bank balances of approximately HK\$205.9 million (equivalent to approximately RMB187.2 million), which is not sufficient to repay the Owed Amount.

We understand from the Management that the Group is in ongoing negotiations with the lender to explore alternative arrangements to settle the Facilities in case the necessary approvals in relation to the Agreement cannot be obtained by 13 May 2020. We have reviewed the relevant agreements in relation to the Facilities and noted that in the event of default, the lender can exercise the right to seize the collateral and sell it to recoup its losses on the Facilities. We also noted that the land use right of the Zhenjiang Land is the collateral of first priority under the Facilities. According to the property valuation report in Appendix II to this circular, the market value of the Group’s property interests in the Zhenjiang Land amounted to approximately RMB793.0 million as at 31 March 2020, being at least approximately RMB243.0 million in excess of the Owed Amount.

Therefore, considering the total amount of cash and value of property interests in the Zhenjiang Land held by the Group is more than sufficient to cover the Owed Amount, we are of the view that in the worst case scenario of default resulting in the seizure of the Zhenjiang Land, the loss of this asset would likely have a material short-term adverse impact on the Group’s financial position. However, since there remain value in the Group’s property investment business and the Jinhua Project, we are of the view that the potential seizure of the Zhenjiang Land should have less adverse impact on the Group’s long-term business prospects.

### *1.3. Disposal of Hangzhou Minglun*

We noted the Company published an announcement on 7 April 2020 (the “**Disposal Announcement**”) that the Group entered into an agreement to dispose of its entire equity interest in Hangzhou Minglun Industrial Co., Ltd. (“**Hangzhou Minglun**”) at the consideration of approximately RMB177.27 million (equivalent to approximately HK\$195.0 million) (the “**Disposal**”).

The principal assets of Hangzhou Minglun is the property interest in the parcel of land (the “**Land**”) located in Lin’an District, Hangzhou City, Zhejiang Province, the PRC, which was acquired from Lin’an Resources Bureau through a public tender process in June 2019 at the consideration of RMB347.6 million (equivalent to approximately HK\$382.4 million). Hangzhou Minglun had made partial payment of the consideration in the aggregate sum of approximately RMB173.8 million (equivalent to approximately HK\$191.2 million) (the “**Partial Payment**”). The balance of the consideration of RMB173.8 million (equivalent to approximately HK\$191.2 million) shall be payable on or before 7 July 2020. As the balance for the consideration is not yet due for payment, the title certificate for the Land has not been issued.

The Land acquired was intended to be developed into residential units for sale. Having considered the latest market conditions and the financial position of the Group, the Directors consider the Disposal will allow the Group to retain more cash resources and reduce the indebtedness and financial commitment on the future development costs and is in the interest of the Group. The consideration of the Disposal, which has taken into account the latest preliminary reference value of the Land and the Partial Payment made, allows the Group to recoup in full the investment costs in Hangzhou Minglun.

---

## LETTER FROM ALTUS CAPITAL

---

Further, one of the conditions of the Renewal is that the Group shall complete the disposal of the entire equity interest in Hangzhou Minglun on or before 13 May 2020 in order to raise fund to repay part of the Loans, failing which the Group shall charge its entire equity interest in Hangzhou Minglun and its receivables under the shareholder's loan due from Hangzhou Minglun in favour of the lender as security for the Loans of up to RMB85.0 million.

According to the Disposal Announcement, the Group is expected to record a gain from the Disposal (before expenses) of approximately RMB4.3 million (equivalent to approximately HK\$4.7 million), representing less than 5% of the net loss of the Group for the year ended 31 December 2019. Considering (i) the title certificate for the Land has not been issued and development of the Land has yet to commence; (ii) the proceeds from the Disposal are intended to be used for loan repayment, financing construction costs of the Zhenjiang Project and general working capital purposes; and (iii) the financial impact of the Disposal is not material to the Group, the Directors are of the view that whether the Disposal will be completed before or after 13 May 2020, or not completed at all, will not materially affect the Group's financial conditions and business development going forward.

### ***1.4. Outlook of the Group***

Set out below is an analysis on the outlook of the Group's existing principal businesses, being property investment and property development. Please note that whilst the Offeror has indicated that it intends to continue with the Group's existing business, it has also stated its intention to dispose of the Charged Shares, and during this period when a potential purchaser is still being identified, the Offeror may explore other business opportunities for the Group, amongst others. For details on the Offeror's intention in relation to the Group after completion of the Offer, please refer to section 2.3 below.

According to 2019 Annual Report, the Management expects the global markets to be cloudy due to uncertainties such as volatile stock markets, weakening of RMB, trade tension between the U.S. and the PRC, and the recent COVID-19 outbreak. As a result, the economies of Hong Kong and the PRC are expected to be sluggish in near term, which may cause downward pressure on property prices, rental rates and occupancy rates. Nevertheless, the Management remains cautiously optimistic about the economy in Hong Kong and the PRC, as well as the Group's business development in the long-run.

The Group's property investment income is mainly derived from tenants from the retail sector, which is among the hardest hit industries under the COVID-19 outbreak as consumers are encouraged by the government to stay at home and refrain from going out. As a result, retail tenants may experience financial difficulties and cease to renew their lease contracts. Nonetheless, the Group has adopted the strategy to build up a diverse tenant-mix portfolio, which may help to alleviate the potential adverse impact to the Group's property investment business. According to 2018 Annual Report, the Group's tenants comprised 30% beauty and healthy services, 50% celebrated Asian delicacies and 20% retail of mid-priced to affordable items retailers, including women fashion, grocery, pharmacies, health and personal care products as well as cosmetics. Such business model has demonstrated resilience where it experienced only a moderate drop in occupancy rate from approximately 93.6% as at 31 December 2019 to approximately 87.1% as at

---

## LETTER FROM ALTUS CAPITAL

---

30 April 2020 despite the challenging business environment in Hong Kong due to social turbulence since mid-2019 and the recent COVID-19 outbreak. As at 30 April 2020, approximately 18.5%, 22.2% and 59.3% of the Group's existing lease contracts had remaining term of less than six months, six to 12 months and more than 12 months respectively. The Management advised that the Group had not received any notification on non-renewal of leases that was effective as at 30 April 2020 nor granted any rent reduction to them up to the Latest Practicable Date. Despite some of the tenants have failed to timely settle their rental payments since the COVID-19 outbreak, the Management advised that the delay in rental payment will not have long-term material adverse financial impact to the Group considering all the existing lease contracts have three-month rental deposit in place. Moreover, albeit the property leasing market in Hong Kong may be affected by poor consumer sentiment resulting from social unrest and global economic uncertainties in the short term, we believe this will not translate to a long term contraction in demand for retail space in a densely populated city like Hong Kong. According to Hong Kong Census and Statistics Department, there were 7.5 million residents in Hong Kong by the end of 2019 and it is projected to grow and reach 8.0 million and 8.2 million in 2030 and 2040 respectively. We have also noted from industry reports published by real estate consultants, including the "Hong Kong Retail Marketbeat" report published by Cushman & Wakefield plc on 23 April 2020, that the retail business in Hong Kong is expected to bounce back when the COVID-19 outbreak subsides and the demand for retail properties in Hong Kong will improve once the economy begins to recover.

The Group's property development business in the PRC is not exempt from the effect of COVID-19 outbreak. Whilst the construction of the Group's property development projects had been suspended for a period of time due to COVID-19 and the development schedule will be delayed as a result, marketing activities for the projects were also restricted and the pre-sale of the properties will likely be negatively affected. In easing the situation of the property market, the PRC government had implemented supporting policies, such as allowing earlier pre-sale and longer completion time for construction. The Management expects that more easing policies will be introduced to boost the PRC economy and that a rebound of the PRC property market will quickly follow once the COVID-19 outbreak subsides.

According to the data released by International Monetary Fund in April 2020, despite the global economy is expected to contract in 2020 by 3.0%, including the United States by 5.9% and Europe by 7.5%, China is among the few economies which could register an expansion with an economic growth of 1.2% in 2020 under the current difficult circumstances and it is also forecasted to grow significantly at 9.2% for 2021. The property market in China will likely benefit from the strong recovery of economy. Moreover, the PRC government has long been promoting urbanisation, which we believe is conducive to the long-term growth of the PRC property market. According to National Bureau of Statistics of China, the urbanisation rate in the PRC has been increasing continuously from approximately 54.8% in 2014 to 59.6% in 2018. We noted that promotion of urbanisation remains one of the main objectives of the PRC government under its Thirteenth Five-Year Plan\* (十三五規劃), pursuant to which the PRC government targets to, among others, accelerate the agricultural population urbanisation and optimise urbanisation layout. Therefore, we are of the view that the development of the PRC property market will be stable in long term.

---

## LETTER FROM ALTUS CAPITAL

---

The property development projects of the Group are still under construction and therefore yet to deliver income to the Group. Based on the latest development schedule, the development of Jinhua Project and Zhenjiang Project is expected to complete in phases by 2021 and 2023 respectively. Pre-sale of both projects has commenced and the Group will recognise income from the projects when the properties are completed and delivered to the customers. According to the Management, as at 10 April 2020, approximately 7.0% of the planned pre-sale residential units of Zhenjiang Project has been pre-sold, while approximately 99.2% and 90.9% of the launched pre-sale residential units of first and second phases of Jinhua Project have been pre-sold respectively.

Overall, we expect that the Group's business will likely be negatively affected by the global market uncertainties and the outbreak of COVID-19 to a certain extent in the near term. As at the Latest Practicable Date, we also noted that the COVID-19 situation in Hong Kong and the PRC has been improving recently and there is a gradual easing of containment or lockdown measures. As Hong Kong and China are gradually resuming normal economic activity, we believe the property markets in Hong Kong and China will maintain the momentum to develop steadily in long term. In addition, considering the business of the Group has remained stable with steady rental income generated from its portfolio of investment properties in Hong Kong in the past years and the Group is expected to generate income from the properties under development progressively in the coming years, we are of the view that the long-term outlook of the Group's business remains stable.

## 2. Background of the Offer and the Offeror

### 2.1. Background of the Offer

The information in this section is based on the Offer Document.

Pursuant to a facility agreement (the "**Facility Agreement**") dated 15 May 2019 entered into among Sansheng Hongye (as borrower), Mr. Chen Jianming, Mrs. Chen Yanhong, Shanghai Sansheng (collectively, as guarantors) and China Cinda (HK) (as lender, arranger, agent and security agent), a loan facility was granted by China Cinda (HK) to Sansheng Hongye in the amount of HK\$700 million for a term of 24 months. To secure the repayment obligation, several collaterals were provided and among which were the share mortgage in respect of the Charged Shares (the "**Share Mortgage**"), the security agreement in respect of the Convertible Note (the "**Security Agreement**") and the second-lien property mortgage (the "**Second-Lien Property Mortgage**") in respect of 49 properties in the PRC entered into by Shanghai Sanhua Yijing Properties Co., Ltd.\* (上海三花頤景置業有限公司) (an indirectly owned subsidiary of Shanghai Sansheng) and China Cinda (HK).



---

## LETTER FROM ALTUS CAPITAL

---

Due to the continued occurrence of events of default under the Finance Documents (including the failure to pay the outstanding fees under the Finance Documents after such fees became due and payable) and under the belief that Sansheng Hongye was in immense financial difficulty, China Cinda (HK) on 18 October 2019 exercised its rights under the Facility Agreement to enforce the Share Mortgage and effect the transfer (the “**Transfer**”) of 843,585,747 Charged Shares (representing approximately 74.98% of the entire issued share capital of the Company as at 18 October 2019 and the Latest Practicable Date). China Cinda (HK) further enforced the Security Agreement on 31 December 2019 and was assigned in its favour the Convertible Note in the outstanding principal amount of HK\$11,000,000 which is convertible into 13,715,710 new Shares upon exercise of the conversion rights attaching to it in full based on the prevailing conversion price of HK\$0.802 per Share.

The Enforcement Action was taken in the interest of time and in light of the dreary financial position of Sansheng Hongye. Among the securities taken under the Facility Agreement, the collaterals under the Second-Lien Property Mortgage were of the highest value but the same were first mortgaged to Ningbo Cinda Huajian Investment Co., Limited (“**Ningbo Cinda**”), an indirectly wholly-owned subsidiary of China Cinda (HK). As such, China Cinda (HK) has agreed with Ningbo Cinda and in November 2019, Ningbo Cinda initiated legal proceedings to recover the collaterals under the Second-Lien Property Mortgage. Since the litigation may drag on for a long time and although the Second-Lien Property Mortgage was considered by China Cinda (HK) to be the prime collateral under the Facility Agreement, the time required to enforce the Second-Lien Property Mortgage is long which is unlikely to be completed within a year, hence China Cinda (HK) enforced the Share Mortgage and the Security Agreement to protect its interest. China Cinda (HK) had undertaken to continue to enforce the Second-Lien Property Mortgage despite the Enforcement Action.

The obligation to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Cinda (HK) was triggered after China Cinda (HK) has acquired control of approximately 74.98% of the voting rights of the Company as a result of the Transfer. China Cinda (HK) has applied to the Executive for the Waiver from the said obligation to make a mandatory general offer pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code. However, the Waiver was not granted. In fulfilment of its obligation, China Cinda (HK) makes the Offer via the Offeror.

### ***2.2. The Offeror and its controlling shareholders***

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of China Cinda (HK). The Offeror has not been in operation since its incorporation.

China Cinda (HK) is a company incorporated in Hong Kong with limited liability. It is an asset management company and a licensed money lender registered under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), principally engages in, among others, debt financing activities. China Cinda (HK) is indirectly wholly owned by China Cinda.

---

## LETTER FROM ALTUS CAPITAL

---

China Cinda is a joint stock company established in the PRC in 1999 with limited liability, the H shares of which are listed on the Main Board with stock code 1359. It is controlled by the Ministry of Finance of the PRC, which is one of the ministries under the State Council of the PRC. China Cinda and its subsidiaries are principally engaged in distressed asset management, and providing customised financial solutions and differentiated asset management services to their clients through their diversified business platforms. As at the Latest Practicable Date, China Cinda's market capitalisation amounted to approximately HK\$20.2 billion.

According to the latest annual report of China Cinda, China Cinda has 33 branches in 30 provinces, autonomous regions and municipalities in mainland China and eight subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong. China Cinda has approximately 16,000 employees. For the year ended 31 December 2019, China Cinda recorded net profit of approximately RMB15.0 billion (equivalent to approximately HK\$16.5 billion). As of the end of 2019, China Cinda had total assets of approximately RMB1,513.23 billion (equivalent to approximately HK\$1,664.6 billion).

### *2.3. The Offeror's intention in relation to the Group*

According to the Offer Document, the Offeror intends to continue the existing principal business of the Group but it also intends to dispose of the Charged Shares and is currently in the process of identifying potential purchasers. As of the latest practicable date of the Offer Document, the Offeror has not identified any potential purchaser. If the Charged Shares are sold, any subsequent purchaser of the Charged Shares will be under an obligation to conduct a mandatory general offer under Rule 26.1 of the Takeovers Code.

While the Offeror is currently in the process of identifying potential purchasers of the Charged Shares, it will conduct a detailed review on the existing principal businesses and operations, including the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development, and will explore other business opportunities for the Group, including the feasibility of diversifying the income stream of the Group. In this regard, the Offeror may look into business and investment opportunities in different business areas and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long term potential growth of the Group.

As at the latest practicable date of the Offer Document, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

The Offeror will conduct a detailed review of the existing management structure of the Group and may consider restructuring the composition of the management in order to enhance its effectiveness. The Offeror will nominate seven new Directors (including four executive Directors, one non-executive Director and two independent non-executive Directors) to facilitate the management of the Group. The Offeror may nominate further Directors (including independent non-executive Directors) to the Board at such time as it considers appropriate to further enhance the management resources and expertise of the Board, upon further review by the Board and its nomination committee.



---

## LETTER FROM ALTUS CAPITAL

---

Save for the above, the Offeror does not intend to (i) introduce any major changes to the business nor the existing operating structure of the Group; (ii) discontinue employment of the existing employees of the Group; and (iii) re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business.

We understand from the Company that the existing Directors have no intention to resign from the Board. Independent Shareholders should note that the seven new Directors to be appointed by the Offeror, together with Mr. Wang Xin, who is an existing non-executive Director and an employee of China Cinda (HK), will represent over half of the Board after the completion of the Offer. Amongst the seven new Directors, four will be designated as executive Directors, one as non-executive Director and the remaining two as independent non-executive Directors. Whilst we noted no notable real estate experience (the Group's existing sphere) in the biographies of the four new executive Directors in the Offer Document, all of them hold senior managerial positions in the China Cinda group and have business management and/or listed group's board experience. In particular, the real estate sector is one of the focus of China Cinda's distressed asset management business where about half of its restructured distressed assets are related to the real estate sector. Based on the above, we believe the new executive Directors can reasonably be expected to leverage on such business managerial experience, together with the support of the industry knowledge of the existing Management, to oversee the Group's business so as to enhance the valuation of the Charged Shares.

#### ***2.4. Listing status of the Company***

As stated in the Offer Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the new directors to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares, i.e. not less than 25% of the Shares will be held by the public.

For the avoidance of doubt, the Offer Shares tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

---

## LETTER FROM ALTUS CAPITAL

---

### 3. Offer Price

#### 3.1. Offer Price comparison

The Offer Price of HK\$0.5425 per Share is equal to the volume weighted average price of each Share as at 18 October 2019, being the date of the Enforcement Action in respect of the Charged Shares, and it also represents:

- (a) a premium of approximately 6.37% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 3.12% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.560 per Share;
- (c) a discount of approximately 8.05% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.590 per Share;
- (d) a discount of approximately 1.90% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.553 per Share;
- (e) a premium of approximately 29.10% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.4202 per Share;
- (f) a premium of approximately 2.34% to the closing price of HK\$0.530 per Share as quoted on the Stock Exchange on the last trading day prior to the commencement of the Offer Period on 24 October 2019;
- (g) a premium of approximately 2.34% to the closing price of HK\$0.530 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (h) a discount of approximately 70.88% over the audited consolidated net asset value of the Group of approximately HK\$1.8633 per Share as at 31 December 2018 based on 1,125,027,072 Shares in issue as at the Latest Practicable Date;
- (i) a discount of approximately 71.16% over the unaudited consolidated net asset value of the Group of approximately HK\$1.8809 per Share as at 30 June 2019 based on 1,125,027,072 Shares in issue as at the Latest Practicable Date;
- (j) a discount of approximately 69.23% over the audited consolidated net asset value of the Group of approximately HK\$1.7629 per Share as at 31 December 2019 based on 1,125,027,072 Shares in issue as at the Latest Practicable Date; and
- (k) a discount of approximately 73.18% over the Reassessed NAV of the Group of approximately HK\$2.0227 per Share based on 1,125,027,072 Shares in issue as at the Latest Practicable Date.

---

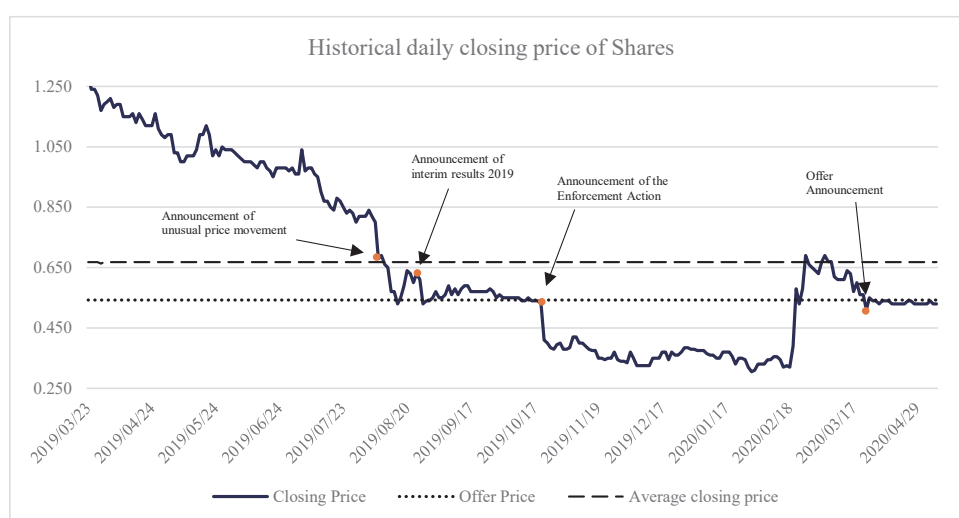
## LETTER FROM ALTUS CAPITAL

---

### 3.2. Analysis of historical Share price movement and trading liquidity

#### 3.2.1. Share price movement

Set out below is a chart showing the movement of the closing prices of Shares during the period from 23 March 2019, being one year before the Last Trading Day, up to the Latest Practicable Date (the “**Review Period**”). Over the Review Period, the highest and lowest closing price of the Shares as quoted on the Stock Exchange were HK\$1.29 on 23 March 2019 and HK\$0.305 on 31 January 2020 respectively. The average closing price of the Shares over the Review Period was approximately HK\$0.67. The Offer Price is HK\$0.5425.



Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

The closing price of the Shares showed a general downward trend from HK\$1.29 as at the beginning of the Review Period to HK\$0.80 as at 6 August 2019, which was generally in line with the decline in the Hang Seng Index due mainly to the escalation of the Sino-U.S. trade war. On 7 August 2019, the closing price of the Shares dropped sharply to HK\$0.68 and the Company announced after the trading hours that such unusual price movement may be due to the negotiations between the Group and Shanghai Sansheng in relation to a potential acquisition of property in the PRC. After the announcement, the closing price of Shares continued to decrease to HK\$0.53 as at 15 August 2019, and then slightly rebounded to HK\$0.63 as at 23 August 2019, which was also the day when the Company published the interim results announcement for the six months ended 30 June 2019 after trading hours. Despite the Group recording an increase in revenue and net profit for the six months ended 30 June 2019 as compared with the corresponding period in 2018, the closing price of Shares did not improve but instead subsequently decreased to HK\$0.53 on 27 August 2019, and then started to fluctuate between HK\$0.53 and HK\$0.59 until the Company’s announcement of the Enforcement Action taken by China Cinda (HK) over the Charged Shares was issued on 24 October 2019 where the closing price of Shares subsequently dropped significantly to HK\$0.41 on the next day.

---

## LETTER FROM ALTUS CAPITAL

---

From 25 October 2019 to 19 February 2020, the closing price of Shares hovered between HK\$0.305 and HK\$0.42. On 20 February 2020, the closing price of Shares increased sharply to HK\$0.58. Based on public information and our enquiry with the Management, we are not aware of any reasons for the such unusual price increase. The increasing trend continued until the closing price of Shares reached HK\$0.69 on 4 March 2020. Since then, the closing price of Shares decreased gradually to HK\$0.51 on the Last Trading Day, following the overall trend of the Hang Seng Index amidst the stock market turmoil caused by the global outbreak of the COVID-19 outbreak. From the date of the Offer Announcement until the Latest Practicable Date, the closing price of Shares remained relative stable, ranging between HK\$0.53 and HK\$0.55.

Save as disclosed above, we did not notice any other announcements of the Company during the Review Period which may have correlation to the share price movement shown in the chart above.

Based on the above, we noted that the closing price of Shares was higher than the Offer Price on 155 out of 267 trading days during the Review Period, save for the period starting from the Company's announcement of the Enforcement Action taken by China Cinda (HK) over the Charged Shares on 24 October 2019 and ending on 20 February 2020. The significant decrease in Share price following the announcement of the Enforcement Action, which arose from financial default on the part of the Group's controlling shareholder, may have been brought about by market speculation that such action may cause the Group to breach certain of its debt covenants, allowing the creditors to call for immediate settlement, causing material adverse impact to the Group's liquidity, and potentially a liquidation. In this regard, the Company announced on 29 October 2019 that one of the Group's banks had waived the event of default under the relevant facility agreements and there were no other announcements noted in relation to this issue. Overall, the Share price followed an overall downward trend from the start of the Review Period until 20 February 2020. It should be noted that poor market sentiment with regard to the Hong Kong real estate market following prolonged social unrest in Hong Kong since June 2019 and the COVID-19 outbreak at the beginning of 2020 may have affected the Share price.

---

## LETTER FROM ALTUS CAPITAL

---

### 3.2.2. Trading volume of Shares

The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares (including and excluding the Charged Shares).

Month	Average daily trading volume	Approximate% of average daily trading volume to total issued Shares <sup>1</sup>	Approximate% of average daily trading volume to total issued Shares <sup>1</sup> excluding the Charged Shares
May 2020 (up to Latest Practicable Date)	582,333	0.045%	0.21%
April 2020	990,566	0.09%	0.35%
March 2020	888,500	0.08%	0.32%
February 2020	2,946,620	0.26%	1.05%
January 2020	115,900	0.01%	0.04%
December 2019	166,900	0.01%	0.06%
November 2019	260,286	0.02%	0.09%
October 2019	1,208,444	0.11%	0.43%
September 2019	199,238	0.02%	0.07%
August 2019	1,433,182	0.13%	0.51%
July 2019	444,364	0.04%	0.16%
June 2019	289,789	0.03%	0.10%
May 2019	415,238	0.04%	0.15%
March and April 2019 (starting from 23 March 2019)	424,960	0.04%	0.15%

Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. Based on the total number of issued Shares as at each month or period end.
2. The period of trading halt of Shares (from 22 October 2019 to 24 October 2019 and from 24 March 2020 to 3 April 2020) is excluded in calculating the average daily trading volume of Shares.

---

## LETTER FROM ALTUS CAPITAL

---

As illustrated in the above table, the liquidity of Shares was generally low with the percentage of the average daily trading volume to the total number of issued Shares ranging from approximately 0.01% to 0.13%, and from 0.04% to 0.51% if the Charged Shares are excluded, not taking into account the abnormally high trading liquidity in February 2020 which was in line with the unusual price movement in that month as mentioned in the section above. The average daily trading volume of the Shares during the Review Period was approximately 731,900 Shares, representing approximately 0.07% of the total number of issued Shares, and approximately 0.26% if the Charged Shares are excluded, as at the Last Trading Day.

### *3.2.3. Section summary*

Having considered that (i) the Offer Price is lower than the average closing price of Shares over the Review Period, and is also lower than the closing price of Shares on most trading days during the Review Period; and (ii) whilst the Offer Price is higher than the closing price of Shares for the remaining trading days, the Share price during such period may have been affected by market speculation as a result of the announcement of the Enforcement Action (which is in itself wholly unrelated to the Group's business) as well as transient poor market sentiments on Hong Kong's real estate sector, the Offer Price is not attractive from a market trading price perspective. Meanwhile, the trading volume of the Shares over the Review Period was low, which may render the Share's market price unrepresentative of the Shares' value. This may also mean that if a significant number of Shares are to be disposed of in the open market, it may exert significant downward pressure on the price of the Shares.

### *3.3. Market comparable analysis*

In assessing the fairness and reasonableness of the Offer Price, we have conducted an analysis by comparing the implied price-to-book ratio of the Company based on the Offer Price and the price-to-book ratio ("**P/B Ratio**") of the comparable companies (the "**Comparables**").

We have identified seven Comparables based on the following criteria (i) they are listed on the Main Board of the Stock Exchange; (ii) their principal businesses include property investment and property development with more than 50% of total assets allocated to such business segments as at the latest financial year end or interim period end (whichever the later); (iii) they have substantial presence in Hong Kong and/or PRC with over 50% of revenue derived therefrom during the latest financial year or interim period (whichever the later) and own investment properties in Hong Kong; and (iv) their net asset value amounted to between HK\$1.0 billion and HK\$3.0 billion as at their latest financial period end (making reference to the Group's audited net asset value of approximately HK\$2.0 billion as at 31 December 2019). The list of Comparables is exhaustive based on these criteria and is sufficient for us to form a view on the fairness and reasonableness of the Offer Price.

---

## LETTER FROM ALTUS CAPITAL

---

Independent Shareholders should note that despite the aforesaid criteria, the business, scale of operation, trading prospects, location of properties and projects, and capital structure of the Group are not exactly the same as those of the Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the Comparables.

Details of the Comparables are summarised below:

Company name	Stock code	Description of principal businesses	Net asset value (HK\$ million) <sup>1</sup>	Market capitalisation (HK\$ million) <sup>2</sup>	P/B Ratio <sup>3</sup>
Applied Development Holdings Ltd.	519	Engaged in the property investment, resort and property development and investment holding in Hong Kong and the PRC	1,238.57	445.90	0.36
Fullsun International Holdings Group Co. Ltd.	627	Engaged in property development and property investment business in Hong Kong and the PRC	2,162.07 (Note 4)	954.69	0.45
Ground International Development Ltd.	989	Engaged in property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and the provision of financial services in Hong Kong and the PRC	2,043.11 (Note 4)	332.22	0.16
Rykadan Capital Ltd.	2288	Engaged in property development, property investment, asset, investment and fund management and distribution of construction and interior decorative materials in Hong Kong, the PRC, the United States, the United Kingdom and Bhutan	1,374.13	222.01	0.16
Wah Ha Realty Co. Ltd.	278	Engaged in investment holding, property development, investment and management in Hong Kong	1,374.98	725.76	0.53
Winfair Investment Co. Ltd.	287	Engaged in securities investments, property leasing and property development in Hong Kong	1,268.74	354.00	0.28

---

## LETTER FROM ALTUS CAPITAL

---

Company name	Stock code	Description of principal businesses	Net asset value (HK\$ million) <sup>1</sup>	Market capitalisation (HK\$ million) <sup>2</sup>	P/B Ratio <sup>3</sup>
Winfull Group Holdings Ltd.	183	Engaged in property investment and trading, property development and provision of renovation services in Hong Kong, the United Kingdom and Japan	1,910.86	255.21	0.13
				<b>Maximum:</b>	0.53
				<b>Minimum:</b>	0.13
				<b>Mean:</b>	0.30
				<b>Median:</b>	0.28
<b>The Company</b>	<b>859</b>	<b>Engaged in property investment in Hong Kong and property development in the PRC</b>	<b>1,983.29</b>	<b>610.33</b> (Note 5)	<b>0.27</b> (Note 6)

Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. *Net asset value refers to net assets reported in the respective companies' latest published financial reports or results announcement as the case may be.*
2. *Market capitalisation is calculated based on the closing share price and number of shares in issue at the Latest Practicable Date sourced from the website of the Stock Exchange.*
3. *P/B Ratio is calculated based on the market capitalisation and net asset value as described in notes 1 and 2 above.*
4. *The exchange rate of RMB1: HK\$1.1 was used.*
5. *The implied market capitalisation of the Company is calculated by multiplying the Offer Price with the number of issued Shares as at the Latest Practicable Date.*
6. *The implied P/B Ratio of the Company is calculated based on the implied market capitalisation of the Company as described in note 5 above and the Reassessed NAV.*

As illustrated in the table above, the P/B Ratios of the Comparables range from approximately 0.13 times to 0.53 times, with the mean and median being approximately 0.30 times and 0.28 times respectively. The implied P/B Ratio of the Company based on the Offer Price is approximately 0.27 times, which falls within the range of those of the Comparables and is comparable to their mean and median. Based on the above, although it appears that the Offer Price is reasonable solely from the standpoint of market comparable analysis, we noted that the share prices of the Comparables were on a general downward trend since mid-2019 regardless of improving or deteriorating financial performance announced during the Review Period. The Hang Seng Properties Sub-index also experienced a downward trend with more than 20% decrease since



---

## LETTER FROM ALTUS CAPITAL

---

July 2019 up to the Latest Practicable Date. As such, the Comparables' share prices may have also been adversely affected by the poor market sentiments on Hong Kong's real estate market due to prolonged social unrest in Hong Kong and COVID-19 outbreak as discussed under section 3.2.1 above, and therefore, we are of the view that the Offer Price is not particularly attractive.

We wish to supplement that we have not performed price-to-earnings ratio analysis considering (i) the Company was loss-making during the latest financial year; and (ii) a substantial part of the business of the Comparables and the Company is property development, which is project-by-project in nature and the income generated therefrom may fluctuate between periods subject to the development stage of each project, rendering such analysis not meaningful and potentially misleading.

### RECOMMENDATION

In view of the above principal factors and in particular:

- (i) the general steady long-term business outlook of the Group despite the likely negative impact by near-term global market uncertainties, with its investment properties only experiencing a moderate decrease in occupancy rates despite the challenging business environment in Hong Kong, and its property development projects expected to generate income progressively in the coming years;
- (ii) the Offer Price is lower than the average closing price of Shares over the Review Period, and the closing price of Shares on over 60% of the trading days during the Review Period;
- (iii) whilst the Offer Price is higher than the closing price of Shares on the remaining trading days during the Review Period, the Share price during such period may have been affected by market speculation as a result of the announcement of the Enforcement Action (which is in itself wholly unrelated to the Group's business) as well as transient poor market sentiments on Hong Kong's real estate sector;
- (iv) the Offer Price represented a substantial discount of approximately 70% over the Group's net asset value and Reassessed NAV, while we noted that the Group had entered into an agreement to dispose of its interest in Hangzhou Minglun at a consideration above its net asset value, rendering the Offer Price unrepresentative of the true value of the Group's net assets which include ongoing property development projects expected to generate income in the coming years; and
- (v) although the implied P/B Ratio of the Company is comparable to the average and median of the Comparables, the share prices of the Comparables may have also been adversely affected by the poor market sentiments on Hong Kong's real estate market,

we are of the view that the Offer Price is not attractive, rendering the terms of the Offer not fair and not reasonable.

---

## LETTER FROM ALTUS CAPITAL

---

Moreover, we note that the Offeror is currently in the process of identifying potential purchasers for the Charged Shares. Any subsequent purchaser of the Charged Shares will be under an obligation to conduct a mandatory general offer under Rule 26.1 of the Takeovers Code, which will provide another opportunity for the Shareholders to dispose of their Shares at possibly different terms and offer price. In this regard, since the parent company of the Offeror, China Cinda, is a sizable state-owned enterprise principally engaged in distressed asset management with over 20 years of experience, it is likely that the Offeror will leverage on such expertise and enhance the valuation of the Charged Shares when it seeks an exit. Even if the subsequent disposal of Charged Shares does not materialise in the short term, the Offeror intends to continue the existing principal business of the Group after completion of the Offer, the long-term business outlook of which as aforesaid is expected to be generally stable. While the four new executive Directors nominated by the Offeror do not appear to have direct experience in the real estate sector, they can reasonably be expected to leverage on their respective business managerial experience and the support of the industry knowledge of the existing Management to oversee the Group's business so as to enhance the valuation of the Charged Shares.

Based on the above, we are of the view that there is no compelling reason for the Independent Shareholders to accept the Offer at this juncture. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

For the Independent Shareholders who decide to monetise their investments in the near term before the end of the Offer Period, you are reminded to closely monitor the prices and liquidity of the Shares given the historically low liquidity of the Shares, and shall, having regard to their own circumstances, consider accepting the Offer, if the receivable under the Offer would be higher than the net proceeds from the sale of such Shares in the open market.

**As different Independent Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Chang Sean Pey**  
*Executive Director*

**Charlotte Khoo**  
*Executive Director*

---

## LETTER FROM ALTUS CAPITAL

---

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Ms. Charlotte Khoo (“**Ms. Khoo**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has over 8 years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information of the Group for the year ended 31 March 2018, for the nine months ended 31 December 2018 and for the year ended 31 December 2019, as extracted from the Company's annual reports for the year ended 31 March 2018, for the nine months ended 31 December 2018 and for the year ended 31 December 2019.

	<b>For the year ended 31 March 2018 HK\$'000 (audited)</b>	<b>For the nine months ended 31 December 2018 HK\$'000 (audited)</b>	<b>For the year ended 31 December 2019 HK\$'000 (audited)</b>
Revenue	47,241	32,787	44,976
Other (loss)/income, net	(169)	4,235	(103)
Net gain/(loss) in fair value of investment properties	20,500	19,200	(25,100)
Staff costs	(10,373)	(5,668)	(15,788)
Depreciation of property, plant and equipment	(840)	(655)	(998)
Depreciation of right-of-use assets	–	–	(1,475)
Impairment losses under expected credit loss model	–	–	(15,453)
Other operating expenses	(19,310)	(10,768)	(29,076)
Profit/(loss) from operations	37,049	39,131	(43,017)
Share of results of an associate	–	–	(1,789)
Impairment loss on investment in an associate	–	–	(26,121)
Finance costs	(21,707)	(18,304)	(23,450)
Net gain on disposal of subsidiaries	5,375	–	–
Net gain on disposal of an investment property	4,950	–	–
Profit/(loss) before taxation	25,667	20,827	(94,377)
Taxation	(4,965)	(3,486)	(410)
Profit/(loss) for the year/period	20,702	17,341	(94,787)
Other comprehensive loss, net of tax items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations	(18)	(102)	(18,227)
Other comprehensive loss for the year/period, net of tax	(18)	(102)	(18,227)
Total comprehensive income/(loss) for the year/ period	<u>20,684</u>	<u>17,239</u>	<u>(113,014)</u>
Profit/(loss) for the year/period attributable to the owners of the Company	<u>20,702</u>	<u>17,341</u>	<u>(94,787)</u>

	<b>For the year ended 31 March 2018 <i>HK\$'000</i> (audited)</b>	<b>For the nine months ended 31 December 2018 <i>HK\$'000</i> (audited)</b>	<b>For the year ended 31 December 2019 <i>HK\$'000</i> (audited)</b>
Total comprehensive income/(loss) for the year/ period attributable to the owners of the Company	20,684	17,239	(113,014)
Earnings/(loss) per Share			
– Basic (in HK cents)	1.90	1.54	(8.43)
– Diluted (in HK cents)	1.89	1.53	(8.43)
Dividend	–	–	–
Dividend per Share	–	–	–

There were no modified opinion, emphasis of matter or material uncertainty related to going concern contained in the auditors' reports on the audited consolidated financial statements for the year ended 31 March 2018, the nine months ended 31 December 2018 and the year ended 31 December 2019.

## 2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Please refer to the following documents for the audited consolidated financial statements of the Group for each of the year ended 31 March 2018, the nine months ended 31 December 2018 and the year ended 31 December 2019 which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zhongchangintl.hk](http://www.zhongchangintl.hk)):

- (i) the annual report of the Company for the year ended 31 March 2018 published on 23 July 2018 (pages 64 to 134);
- (ii) the annual report of the Company for the nine months ended 31 December 2018 published on 17 April 2019 (pages 67 to 148); and
- (iii) the annual report of the Company for the year ended 31 December 2019 published on 11 May 2020 (pages 77 to 169).

### 3. INDEBTEDNESS

As at 29 February 2020, being the latest practicable date for the purpose of this indebtedness statement of the Group prior to the printing of this Response Document, the Group had unaudited total outstanding secured bank borrowings of approximately HK\$1,027.2 million, secured other borrowings of approximately HK\$566.3 million (including secured other borrowings from Shanghai Aijian of RMB469.4 million (equivalent to approximately HK\$516.3 million) and secured other borrowings from China Cinda (HK) of HK\$50 million), unsecured liabilities in respect of the amounts due to related parties of approximately RMB0.9 million (equivalent to approximately HK\$1.0 million), carrying amount of liability component of convertible note of approximately HK\$10.0 million and lease liabilities of approximately HK\$4.3 million.

The Group's secured bank borrowings and other borrowings from China Cinda (HK) are secured by the Group's investment properties in Hong Kong with an aggregate carrying amount of HK\$1,921.6 million as at 31 December 2019, pledge of issued shares of certain subsidiaries, corporate guarantees given by the Company and its certain subsidiaries for securing several banking facilities granted to the Company and its certain subsidiaries in aggregate of HK\$1,127.0 million and HK\$150.0 million respectively, and assignment of rent generated from the investment properties in Hong Kong.

The Group's secured other borrowings from Shanghai Aijian of approximately RMB469.4 million (equivalent to approximately HK\$516.3 million) were secured by, among other things, (i) the stock of properties under development in the PRC with an aggregate carrying amount of approximately HK\$822.4 million; (ii) pledge of the entire equity interest in 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co. Ltd.\*, "**Zhenjiang Tiangong**"), an indirect wholly-owned subsidiary of the Company; (iii) corporate guaranteed by Shanghai Sansheng; (iv) personal guarantee by Mr. Chen Jianming; and (v) security deposits of RMB4.6 million (equivalent to approximately HK\$5.1 million).

### 4. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date:

- (i) on 13 February 2020, Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingyi, all being indirect wholly-owned subsidiaries of the Company, and Shanghai Aijian entered into an agreement to extend the availability period of the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong and the final maturity date of the loans with total outstanding principal amount of RMB469.4 million drawn down therefrom by 12 months to 13 February 2021. The renewal is subject to, among other things, Shareholders' approval at the special general meeting of the Company convened to be held on 13 May 2020. Details of the terms and conditions of the renewal are set out in the circular of the Company dated 21 April 2020;

- (ii) on 7 April 2020, Zhoushan Mingyi as vendor, Dongtou as purchaser and Hangzhou Minglun (an indirect wholly-owned subsidiary of the Company) entered into a conditional agreement in relation to the sale and purchase of the entire equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest at the consideration of RMB177.27 million. The principal asset of Hangzhou Minglun is its property interest in a land parcel situated at Lin'an District, Hangzhou City, Zhejiang Province, the PRC. Completion of the aforesaid disposal is subject to, among other things, consent of Lin'an Resources Bureau and the Shareholders' approval. Details of the transaction are set out in the announcement of the Company dated 7 April 2020. As at the Latest Practicable Date, the special general meeting for the purpose of seeking Shareholders' approval for the disposal has yet been convened and held. In order to fulfill the requirement from the relevant government authorities for completion of the disposal, Hangzhou Minglun is considering to obtain an external financing from an independent third party for settlement of the outstanding remaining land premium of RMB173.8 million before proceeding with completion of the disposal. Further announcement will be made by the Company if there is any update on the disposal as and when appropriate;
- (iii) the retail sector in Hong Kong which has been the Group's source of rental income from its investment properties was among the hardest hit industries under the outbreak of COVID-19 in the first quarter of 2020. As a result, some of the tenants have faced financial difficulties and failed to timely settle their rental payments. The Company is considering different measures to recover the rental receivables. Meanwhile, the market value of the Group's investment properties in Hong Kong also recorded a drop in fair value of HK\$56.2 million for the three months ended 31 March 2020 based on the valuation report prepared by Vincorn as set out in Appendix II to the Response Document. Although the property leasing market in Hong Kong has been affected by the precautionary measures to tackle the coronavirus epidemic and the poor consumer sentiment in the short term, the Company believes this will not translate to a long-term contraction in demand for retail space in Hong Kong;
- (iv) the outbreak of COVID-19 had also adversely affected the operation of the Group's property development business in the PRC. Construction works of property development projects had been temporarily suspended and marketing and sales activities were also restricted, as property developers were forced to shutdown showrooms because authorities sought to restrict huge public events to prevent the spread of the coronavirus during the first quarter of 2020. Nevertheless, construction works and sales have resumed progressively in March and April 2020, and some easing policies have been revealed by the government in support of the property sector, such as allowing earlier pre-sale and longer completion time for construction. It is expected that more easing policies will be introduced to boost the PRC economy and the market will recover accordingly as soon as the coronavirus outbreak is over; and

- (v) on 8 August 2019, Foshan Express (an indirect wholly-owned subsidiary of the Company) as purchaser, Foshan Sansheng (an indirect wholly-owned subsidiary of Shanghai Sansheng) as vendor and Zhoushan Sansheng entered into a conditional agreement in relation to the sale and purchase of the entire equity interest in Zhoushan Sansheng at the initial consideration of RMB120.0 million (subject to adjustment). The principal asset of Zhoushan Sansheng is a hotel located in Zhoushan City, Zhejiang Province, the PRC. Completion of the aforesaid acquisition is subject to, among other things, Shareholders' approval and the release of charge over the equity interest of Zhoushan Sansheng in favour of a financial institution. Shareholders' approval for the acquisition has been obtained at the special general meeting of the Company held on 18 September 2019. On 31 December 2019, the parties to the agreement agreed in writing to extend the long stop date for fulfillment of conditions precedent to 30 June 2020 to allow time for fulfillment of the condition relating to the release of the aforesaid share charge. Details of the transaction are set out in the Company's circular dated 29 August 2019 and the announcement dated 31 December 2019 and the supplemental announcement dated 14 January 2020. While the parties are still working towards fulfillment of such condition and considering alternative transaction structure, in light of the outbreak of COVID-19 which has adversely affected the hospitality and tourism industries across all regions, the Company is also re-assessing the terms of the acquisition and considering whether to pursue the transaction if the condition could not be fulfilled on or before the extended long stop date. Further announcement will be made by the Company if there is any update on the acquisition as and when appropriate.



*The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this circular received from Vincorn, an independent valuer, in connection with its valuation of the property interests held by the Group. Terms defined in this appendix applies to this appendix only.*

Vincorn Consulting and Appraisal Limited  
21/F  
No. 268 Des Voeux Road Central  
Hong Kong



**The Board of Directors**

Zhongchang International Holdings Group Limited  
Suite 1711, Tower 2,  
Times Square,  
No. 1 Matheson Street,  
Causeway Bay, Hong Kong

13 May 2020

Dear Sirs,

**INSTRUCTION AND VALUATION DATE**

We refer to your instructions for us to assess the Market Values of the property interests located in Hong Kong and the People’s Republic of China (the “PRC”) held by Zhongchang International Holdings Group Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 March 2020 (the “Valuation Date”).

**VALUATION STANDARDS**

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited; and Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission.

**VALUATION BASIS**

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

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

As the property interests located in Hong Kong are held under long term leasehold interests and the property interests located in the PRC are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests located in Hong Kong for the whole of the unexpired term of the leasehold interests and the property interests located in the PRC for the whole of the unexpired term of the land use rights.

**POTENTIAL TAX LIABILITIES**

As advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include:

- (a) Property interests located in Hong Kong:
- (i) Ad valorem stamp duty (“AVD”) on consideration or value of the property (whichever is the higher) at tax rates as follows:

<b>Consideration or value of the property (whichever is the higher)</b>	<b>Rate</b>
Up to \$2,000,000	1.50%
\$2,000,001 to \$2,176,470	\$30,000+20% of the excess over \$2,000,000
\$2,176,471 to \$3,000,000	3.00%
\$3,000,001 to \$3,290,330	\$90,000+20% of the excess over \$3,000,000
\$3,290,331 to \$4,000,000	4.50%
\$4,000,001 to \$4,428,580	\$180,000+20% of the excess over \$4,000,000
\$4,428,581 to \$6,000,000	6.00%
\$6,000,001 to \$6,720,000	\$360,000+20% of the excess over \$6,000,000
\$6,720,001 to \$20,000,000	7.50%
\$20,000,001 to \$21,739,130	\$1,500,000+20% of the excess over \$20,000,000
\$21,739,131 and above	8.50%

The buyer, the seller, and any person who uses the instrument will be jointly and severally liable to pay AVD, be it calculated at Scale 1 or Scale 2 rates. In other words, the buyer, the seller and any person who uses the instrument will have the same extent of liability, under the law, to pay for any AVD payable on the chargeable instruments, irrespective of any agreement to the contrary made between them.

- (ii) Profit tax on the profit from the sale of property at tax rates as follows:

<b>Assessable Profit</b>	<b>Rate</b>
Assessable profits up to \$2,000,000	8.25%
Any part of assessable profits over \$2,000,000	16.5%

- (b) Property interests located in the PRC:
- (i) Value added tax on the consideration at a rate of 9% (plus a surcharge);
- (ii) Corporate income tax on the profit from the sale of property at rate of 25%; and

- (iii) Land value appreciation tax on appreciated land value at progressive tax rates as follows:

<b>Appreciated land value</b>	<b>Progressive tax rate</b>
Not more than 50%	30%
More than 50% but not more than 100%	40%
More than 100% but not more than 200%	50%
More than 200%	60%

For the property interests held by the Group for investment in Group 1, they are continued to be held by the Group and with no intention for disposal. Hence, the likelihood of any potential tax liabilities of these property interests being crystallized is remote.

For the property interests to be disposed of by the Group in Group 2 and the property interests held by the Group for development in Group 3, they are going to be disposed of or being disposed of. Hence, the potential tax liabilities of these property interests are likely to be crystallized.

#### VALUATION METHODOLOGY

When valuing the property interests held by the Group for investment in Group 1, we have adopted Income Approach – Term and Reversion Analysis. The valuation results have been cross-checked by Market Approach.

When valuing the property interests to be disposed of by the Group in Group 2, we have adopted Market Approach.

When valuing the property interests held by the Group for development in Group 3, we have adopted Market Approach to assess the gross development values of the proposed developments, which are then adjusted with considerations of the outstanding development costs, the outstanding development periods and the potential profit margins. The valuation results have been cross-checked by Cost Approach.

Income Approach is a valuation approach commonly adopted for income producing properties such as offices, shops and arcades. The technique used in this valuation by Income Approach is Term and Reversion Analysis.

Term and Reversion Analysis is a common and suitable technique for the valuation of the properties subject to existing tenancies. This technique is used when the passing rent of a property differs from the market rent. It estimates the capital value of a property by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level.

In Term and Reversion Analysis, the total rental income of a property is divided into the current passing rental income over the existing lease term, namely the term income, and the potential reversionary rental income after the expiry of the existing lease term, known as the reversionary income. The term value involves the capitalisation of the term income over the existing lease term. The reversionary value involves the capitalisation of the reversionary income after the expiry of existing lease term and it is then discounted back to the valuation date.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

Cost Approach is subject to an assumption of adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. This technique is based on an estimate of the value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land, reference has been made to the land sale transactions as available in the locality. It generally provides the most reliable indication of value for a property in the absence of a known market based on comparable sales.

## **LAND TENURE AND TITLE INVESTIGATION**

We have made enquires and relevant searches at the Hong Kong Land Registry for property interests located in Hong Kong and we have been provided with copies of documents in relation to the titles of the property interests located in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by the PRC legal adviser of the Group, Beijing Kangda Law Firm, regarding the titles of the property interests in the PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

## **INFORMATION SOURCES**

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in the PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

### **INSPECTION AND INVESTIGATIONS**

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

### **CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (“HKD”) or Renminbi (“RMB”). The exchange rate adopted in our valuation is approximately RMB1.00 = HKD1.10 which was approximately the prevailing exchange rates as at the Valuation Date.

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,

For and on behalf of

**Vincorn Consulting and Appraisal Limited**

**Vincent Cheung**

*BSc (Hons) MBA FRICS MHKIS RPS(GP)*

*MCIREA MHKSI MISC MHIAREA*

*Registered Real Estate Appraiser & Agent*

*PRC*

Managing Director

*Note:*

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“Hong Kong”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 22 years of experience in the valuation of properties of this magnitude and nature in the subject region.

## VALUATION SUMMARY

## Group 1 – Property Interests Held by the Group for Investment in Hong Kong

No.	Property	Market Value as at 31 March 2020	Interest Attributable to the Group	Market Value as at 31 March 2020 Attributable to the Group
1	Jardine Center, No. 50 Jardine's Bazaar, Causeway Bay, Hong Kong	HKD1,440,000,000	100%	HKD1,440,000,000
2	Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar, Causeway Bay, Hong Kong	HKD98,000,000	100%	HKD98,000,000
3	First Floor, Nos. 38 & 40 Jardine's Bazaar, Causeway Bay, Hong Kong	HKD14,400,000	100%	HKD14,400,000
4	Ground Floor including Cockloft, No. 41 Jardine's Bazaar, Causeway Bay, Hong Kong	HKD130,000,000	100%	HKD130,000,000
5	Ground Floor, No. 57 Jardine's Bazaar, Causeway Bay, Hong Kong	HKD132,000,000	100%	HKD132,000,000
6	Shop No. 1 on Ground Floor including Portions of the Flat Roof and Canopy over and above the Shop No. 1 on Ground Floor, K.K. Mansion, Nos. 119, 121 & 125 Caine Road, Mid-Levels, Hong Kong	HKD51,000,000	100%	HKD51,000,000
Sub-total:		<u>HKD1,865,400,000</u>		<u>HKD1,865,400,000</u>

**Group 2 – Property Interests to be Disposed of by the Group in the PRC**

No.	Property	Market Value as at 31 March 2020	Interest Attributable to the Group Before Disposal	Market Value as at 31 March 2020 Attributable to the Group Before Disposal
7	A parcel of residential land located at North of Fuxing Street, Lin'an District, Hangzhou, Zhejiang Province, the PRC	No Commercial Value	100%	No Commercial Value
Sub-total:		<u>No Commercial Value</u>		<u>No Commercial Value</u>

**Group 3 – Property Interests Held by the Group for Development in the PRC**

No.	Property	Market Value as at 31 March 2020	Interest Attributable to the Group	Market Value as at 31 March 2020 Attributable to the Group
8	Nanshan Qianshuiwan Phase II, South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jaingsu Province, the PRC	RMB793,000,000 (HKD872,300,000)	100%	RMB793,000,000 (HKD872,300,000)
9	Sansheng Yijing Huafu, South of Jingang Avenue and West of Huajin Street, Jindong District, Jinhua, Zhejiang Province, the PRC	RMB1,860,000,000 (HKD2,046,000,000)	48.51%	RMB902,286,000 (HKD992,514,600)
Sub-total:		<u>RMB2,653,000,000</u> <u>(HKD2,918,300,000)</u>		<u>RMB1,695,286,000</u> <u>(HKD1,864,814,600)</u>
Total:		<u>HKD4,783,700,000</u>		<u>HKD3,730,214,600</u>



## VALUATION CERTIFICATE

## Group 1 – Property Interests Held by the Group for Investment in Hong Kong

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
1	Jardine Center, No. 50 Jardine's Bazaar, Causeway Bay, Hong Kong	<p>The property comprises a 24-storey commercial building, namely Jardine Center, located in Causeway Bay.</p> <p>As per the approved building plans, the property has a gross floor area (“GFA”) of approximately 49,779.37 square feet (“sqft”). As per the tenancy schedule provided by the Group, it has a lettable area (“LA”) of approximately 49,842.00 sqft. As per the Occupation Permit No. H69/99, it was completed in about 1999.</p> <p>The subject lots are held under four Government Leases for terms of 999 years commencing from 25 June 1851 or 23 December 1850.</p>	As per the tenancy schedule provided by the Group dated 31 March 2020, the property is currently leased for commercial uses subject to various tenancies at a total rent of approximately HKD2,224,100 per month with the latest expiry in February 2023. The prevailing occupancy rate is approximately 88.7%.	<p>HKD1,440,000,000 (Hong Kong Dollar One Billion Four Hundred and Forty Million)</p> <p>100% Interest to be Attributable to the Group:</p> <p>HKD1,440,000,000 (Hong Kong Dollar One Billion Four Hundred and Forty Million)</p>

## Notes:

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 26 March 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.

3. The details of the land search records of the property dated 6 February 2020 are summarised below:

<b>Item</b>	<b>Details</b>
Registered Owner:	Top Bright Properties Limited by an assignment dated 25 November 2004, registered vide Memorial No. UB9423498
Major Encumbrances:	<ul style="list-style-type: none"> <li>• No-objection Letter Re IL7356 dated 11 March 1999, registered vide Memorial No. UB7719993</li> <li>• No-objection Letter Re IL7929 dated 11 March 1999, registered vide Memorial No. UB7719994</li> <li>• No-objection Letter Re IL7930 dated 11 March 1999, registered vide Memorial No. UB7719995</li> <li>• Modification Letter Re IL7390 dated 17 December 1999, registered vide Memorial No. UB7946466</li> <li>• Deed Poll on Change of Building Name dated 18 February 2005, registered vide Memorial No. 05062701750014</li> <li>• Mortgage in favour of Hang Seng Bank Limited dated 20 March 2018, registered vide Memorial No. 18041002360148</li> </ul>

4. The property is erected on Inland Lot Nos. 7390, 7930, 7929 and 7356, which are held under four Government Leases. The salient conditions are summarised below:

<b>Item</b>	<b>Details</b>
Lot Number:	Inland Lot Nos. 7390, 7930, 7929 and 7356
Lease Term:	<ul style="list-style-type: none"> <li>• 999 years commencing from 25 June 1851 (Inland Lot No. 7390)</li> <li>• 999 years commencing from 23 December 1850 (Inland Lot Nos. 7930, 7929 and 7356)</li> </ul>
Site Area:	<ul style="list-style-type: none"> <li>• Approximately 789 sqft (Inland Lot No. 7390)</li> <li>• Approximately 821 sqft (Inland Lot No. 7930)</li> <li>• Approximately 826 sqft (Inland Lot No. 7929)</li> <li>• Approximately 884 sqft (Inland Lot No. 7356)</li> </ul>
Major Special Conditions:	<ul style="list-style-type: none"> <li>• The said Lessees or any other person or persons shall not nor will during the continuance of this demise use exercise or follow in or upon the said premises or any part thereof the trade or business of a Brazier Slaughterman Soap-maker Sugar-baker Fellmonger Melter of tallow Oilman Butcher Distiller Victualler or Tavern-keeper Blacksmith Nightman Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence or Her said Majesty signified in writing by the Governor or other person duly authorized in that behalf.</li> <li>• The said Lessees will not use or allowed to be used the said piece or parcel of ground for industrial purposes.</li> <li>• The said Lessees will not erect or allow to be erected thereon any factory building.</li> <li>• In no case will the frontage of any building erected or to be erected on the said piece or parcel of ground be less than one third of the depth of such building (Inland Lot No. 7390 only).</li> </ul>

Inland Lot No. 7356 is subject to a No-objection Letter dated 11 March 1999, registered vide Memorial No. UB7719993. Inland Lot No. 7929 is subject to a No-objection Letter dated 11 March 1999, registered vide Memorial No. UB7719994. Inland Lot No. 7930 is subject to a No-objection Letter dated 11 March 1999, registered vide Memorial No. UB7719995, and a Modification Letter dated 17 December 1999, registered vide Memorial No. UB7946466. According to the No-objection Letters and Modification Letter, the use exercise or following in or upon the said premises or any part thereof the trade or business of a Sugar-baker Oilman Butcher Victualler or Tavern-keeper is permitted in or upon the said premises or any part thereof.

5. The property falls within an area zoned “Commercial (1)” under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 approved on 8 January 2019.

6. The general description and market information of the property are summarized below:

Location : The property is located at No. 50 Jardine’s Bazaar, Hong Kong.

Transportation : Hong Kong International Airport, Hong Kong West Kowloon High Speed Railway Station and Causeway Bay MTR Station are located approximately 40.0 kilometres, 7.5 kilometres and 0.1 kilometres away from the property respectively.

Nature of Surrounding Area : The area is predominately a residential and commercial area in Causeway Bay.

7. Pursuant to the information provided by the Company, Top Bright Properties Limited is an indirect wholly-owned subsidiary of the Group.

8. In the course of our valuation of the property, we have considered and analysed the retail rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from HKD173 to HKD343 per sqft for ground floor units and ranging from HKD37 to HKD52 per sqft for upper floor units on the basis of lettable area. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is HKD56 per sqft on the basis of lettable area.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
2	Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar, Causeway Bay, Hong Kong  <i>(2/14 shares of and in the subject lots)</i>	The property comprises a shop on ground floor plus a cockloft of a 6-storey composite building located in Causeway Bay.  As per our scale-off measurement on the approved building plan, the property has a saleable area ("SA") of approximately 448.25 sqft plus a cockloft of approximately 224.22 sqft and a yard of approximately 25.26 sqft. As per the Occupation Permit No. H217/65, it was completed in about 1965.  The subject lots are held under two Government Leases for terms of 75 years renewable for 75 years commencing from 27 October 1932.	As per our on-site inspection and the information provided by the Group, the property is currently leased to Wang Po Dispensary Company Limited for non-domestic use subject to a tenancy with a term of 3 years from 3 December 2017 to 2 December 2020 at a rent of HKD200,000 per month exclusive of government rent, rates, management fees and other charges.	HKD98,000,000 (Hong Kong Dollar Ninety Eight Million)  100% Interest to be Attributable to the Group:  HKD98,000,000 (Hong Kong Dollar Ninety Eight Million)

*Notes:*

1. The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 26 March 2020.
2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC/MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.

3. The details of the land search records of the property dated 6 February 2020 are summarised below:

<b>Item</b>	<b>Details</b>
Registered Owner:	Smart Land Properties Limited by an assignment dated 8 March 2011 registered vide Memorial No. 11032300110035
Major Encumbrances:	<ul style="list-style-type: none"> <li>• Deed of Mutual Covenant dated 27 August 1965, registered vide Memorial No. UB503169</li> <li>• Mortgage in favour of Hang Seng Bank Limited dated 15 June 2018, registered vide Memorial No. 18062903140119</li> <li>• Order No. “SDF/38-40/0008/13” under S. 24(1) of the Buildings Ordinance with Plan dated 14 June 2018, registered vide Memorial No. 18071100740464 (Re: for Common Part(s) only)</li> </ul>

4. The property is erected on The Remaining Portions of Inland Lot No. 3516 and 3768, which are held under two Government Leases. The salient conditions are summarised below:

<b>Item</b>	<b>Details</b>
Lot Number:	Inland Lot Nos. 3516 and 3768
Lease Term:	75 years renewable for 75 years commencing from 27 October 1932
Site Area:	<ul style="list-style-type: none"> <li>• Approximately 638 sqft (Inland Lot No. 3516)</li> <li>• Approximately 592 sqft (Inland Lot No. 3768)</li> </ul>
Major Special Conditions:	The said Lessee or any other person or persons shall not nor will during the continuance of this demise use exercise or follow in or upon the said premises or any part thereof the trade or business of a Brazier Slaughterman Soap-maker Sugar-baker Fellmonger Melter of tallow Oilman Butcher Distiller Victualler or Tavern-keeper Blacksmith Nightman Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence or His said Majesty signified in writing by the Governor or other person duly authorized in that behalf.

5. The property falls within an area zoned “Commercial (1)” under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 approved on 8 January 2019.

6. The general description and market information of the property are summarized below:

Location	:	The property is located at No. 38 Jardine’s Bazaar, Hong Kong.
Transportation	:	Hong Kong International Airport, Hong Kong West Kowloon High Speed Railway Station and Causeway Bay MTR Station are located approximately 40.0 kilometres, 7.5 kilometres and 0.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential and commercial area in Causeway Bay.

7. Pursuant to the information provided by the Company, Smart Land Properties Limited is an indirect wholly-owned subsidiary of the Group.

8. In the course of our valuation of the property, we have considered and analysed the retail rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from HKD216 to HKD457 per sqft on the basis of saleable area. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is HKD419 per sqft on the basis of saleable area.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
3	First Floor, Nos. 38 & 40 Jardine's Bazaar, Causeway Bay, Hong Kong  (2/14 shares of and in the subject lots)	The property comprises two flats on first floor of a 6-storey composite building located in Causeway Bay.  As per our scale-off measurement on the approved building plan, the property has a SA of approximately 718.90 sqft plus two flat roofs of approximately 99.19 sqft. As per the Occupation Permit No. H217/65, it was completed in about 1965.  The subject lots are held under two Government Leases for terms of 75 years renewable for 75 years commencing from 27 October 1932.	As per our on-site inspection and the information provided by the Group, the property is currently leased to ALMA Trend Limited for domestic use subject to a tenancy with a term of 2 years from 7 March 2019 to 6 March 2021 at a rent of HKD40,000 per month exclusive of government rent, rates, management fees and other charges.	HKD14,400,000 (Hong Kong Dollar Fourteen Million and Four Hundred Thousand)  100% Interest to be Attributable to the Group:  HKD14,400,000 (Hong Kong Dollar Fourteen Million and Four Hundred Thousand)

*Notes:*

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 26 March 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- The details of the land search records of the property dated 6 February 2020 are summarised below:

Item	Details
Registered Owner:	Bond Victory Limited by two assignments dated 30 December 2010 and 21 February 2011 registered vide Memorial Nos. 11011400430020 and 11031000540012 respectively

- | <b>Item</b>         | <b>Details</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Major Encumbrances: | <ul style="list-style-type: none"> <li>• Deed of Mutual Covenant dated 27 August 1965, registered vide Memorial No. UB503169</li> <li>• Order No. “SDF/38-40/0008/13” under S. 24(1) of the Buildings Ordinance with Plan dated 14 June 2018, registered vide Memorial No. 18071100740464 (Re: for Common Part(s) only)</li> <li>• Mortgage in favour of China Cinda (HK) Asset Management Co., Limited to secure general credit facilities for the sum of \$150,000,000 (Pt.) dated 16 May 2019, registered vide Memorial No. 19051700950018</li> <li>• Rental Assignment in favour of China Cinda (HK) Asset Management Co., Limited dated 16 May 2019, registered vide Memorial No. 19051700950022</li> </ul> |
| 4.                  | The property is erected on The Remaining Portions of Inland Lot No. 3516 and 3768, which are held under two Government Leases. The salient conditions are summarised below:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

- | <b>Item</b>               | <b>Details</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lot Number:               | Inland Lot Nos. 3516 and 3768                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Lease Term:               | 75 years renewable for 75 years commencing from 27 October 1932                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Site Area:                | <ul style="list-style-type: none"> <li>• Approximately 638 sqft (Inland Lot No. 3516)</li> <li>• Approximately 592 sqft (Inland Lot No. 3768)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Major Special Conditions: | The said Lessee or any other person or persons shall not nor will during the continuance of this demise use exercise or follow in or upon the said premises or any part thereof the trade or business of a Brazier Slaughterman Soap-maker Sugar-baker Fellmonger Melter of tallow Oilman Butcher Distiller Victualler or Tavern-keeper Blacksmith Nightman Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence or His said Majesty signified in writing by the Governor or other person duly authorized in that behalf. |

5. The property falls within an area zoned “Commercial (1)” under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 approved on 8 January 2019.

6. The general description and market information of the property are summarized below:

- |                            |   |                                                                                                                                                                                                                                   |
|----------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Location                   | : | The property is located at Nos. 38 & 40 Jardine’s Bazaar, Hong Kong.                                                                                                                                                              |
| Transportation             | : | Hong Kong International Airport, Hong Kong West Kowloon High Speed Railway Station and Causeway Bay MTR Station are located approximately 40.0 kilometres, 7.5 kilometres and 0.1 kilometres away from the property respectively. |
| Nature of Surrounding Area | : | The area is predominately a residential and commercial area in Causeway Bay.                                                                                                                                                      |

7. Pursuant to the information provided by the Company, Bond Victory Limited is an indirect wholly-owned subsidiary of the Group.

8. In the course of our valuation of the property, we have considered and analysed the residential rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from HKD39 to HKD74 per sqft on the basis of saleable area. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is HKD52 per sqft on the basis of saleable area.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
4	Ground Floor including Cockloft, No. 41 Jardine's Bazaar, Causeway Bay, Hong Kong  (2/14 shares of and in the subject lots)	The property comprises a shop on ground floor plus a cockloft of a 6-storey composite building located in Causeway Bay.  As per our scale-off measurement on the approved building plan, the property has a SA of approximately 595.17 sqft plus a cockloft of approximately 417.27 sqft and a yard of approximately 79.59 sqft. As per the Occupation Permit No. H381/66, it was completed in about 1966.  The subject lot is held under Conditions of Exchange No. 8732 for a term of 75 years renewable for 75 years commencing from 7 October 1964.	As per our on-site inspection and the information provided by the Group, the property is currently leased to Cheung Kwai Hong for non-domestic use subject to a tenancy with a term of 3 years from 1 November 2018 to 31 October 2021 at a rent of HKD228,000 per month exclusive of government rent, rates, management fees and other charges.	HKD130,000,000 (Hong Kong Dollar One Hundred and Thirty Million)  100% Interest to be Attributable to the Group:  HKD130,000,000 (Hong Kong Dollar One Hundred and Thirty Million)

*Notes:*

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 26 March 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISC/MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- The details of the land search records of the property dated 6 February 2020 are summarised below:

Item	Details
Registered Owner:	Top Grade Properties Limited by an assignment dated 15 August 2012 registered vide Memorial No. 12091401590019



<b>Item</b>	<b>Details</b>
Major Encumbrances:	<ul style="list-style-type: none"> <li>• Deed of Mutual Covenant dated 5 March 1968, registered vide Memorial No. UB618987</li> <li>• Superseding Order No. “DBCSN/10-16/0002/11” under S. 26 of the Buildings Ordinance with Plan dated 8 August 2017, registered vide Memorial No. 17090600900021 (Re: for Exterior and Common Parts of the Building)</li> <li>• Notice No. “UMB/5OF101/1701-285/0009” by the Buildings Authority under S.30B(3) of the Buildings Ordinance dated 17 July 2018, registered vide Memorial No. 18082202650090 (Re: Common Part(s) only)</li> <li>• Notice No. “UMW/5OF101/1701-285/0013” by the Buildings Authority under S.30C(3) of the Buildings Ordinance dated 17 July 2018, registered vide Memorial No. 18082202650103 (Re: Common Part(s) only)</li> <li>• Mortgage in favour of China Cinda (HK) Asset Management Co., Limited to secure general credit facilities for the sum of \$150,000,000 (Pt.) dated 16 May 2019, registered vide Memorial No. 19051700950032</li> <li>• Rental Assignment in favour of China Cinda (HK) Asset Management Co., Limited dated 16 May 2019, registered vide Memorial No. 19051700950041</li> </ul>

4. The property is erected on Inland Lot No. 8026, which is held under Conditions of Exchange No. 8732. The salient conditions are summarised below:

<b>Item</b>	<b>Details</b>
Lot Number:	Inland Lot No. 8026
Lease Term:	75 years renewable for 75 years commencing from 7 October 1964
Site Area:	Approximately 1,487 sqft
Major Special Conditions:	The lot shall be used for residential and commercial purposes only.

5. The property falls within an area zoned “Commercial (1)” under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 approved on 8 January 2019.

6. The general description and market information of the property are summarized below:

Location	:	The property is located at No. 41 Jardine’s Bazaar, Hong Kong.
Transportation	:	Hong Kong International Airport, Hong Kong West Kowloon High Speed Railway Station and Causeway Bay MTR Station are located approximately 40.0 kilometres, 7.5 kilometres and 0.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential and commercial area in Causeway Bay.

7. Pursuant to the information provided by the Company, Top Grade Properties Limited is an indirect wholly-owned subsidiary of the Group.

8. In the course of our valuation of the property, we have considered and analysed the retail rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from HKD216 to HKD457 per sqft on the basis of saleable area. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is HKD421 per sqft on the basis of saleable area.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
5	Ground Floor, No. 57 Jardine's Bazaar, Causeway Bay, Hong Kong  (1/12 shares of and in the subject lots)	<p>The property comprises a shop on ground floor of a 6-storey composite building located in Causeway Bay.</p> <p>As per our scale-off measurement on the approved building plan, the property has a SA of approximately 722.15 sqft. As per the Occupation Permit No. H22/61, it was completed in about 1961.</p> <p>The subject lot is held under Conditions of Exchange No. 6136 for a term of 75 years renewable for 75 years commencing from 15 June 1960.</p>	<p>As per our on-site inspection and the information provided by the Group, the property is currently leased to In and Out Limited for non-domestic use subject to a tenancy with a term of 3 years from 20 September 2018 to 19 September 2021 at a rent of HKD255,000 per month exclusive of government rent, rates, management fees and other charges.</p>	<p>HKD132,000,000 (Hong Kong Dollar One Hundred and Thirty Two Million)</p> <p>100% Interest to be Attributable to the Group:</p> <p>HKD132,000,000 (Hong Kong Dollar One Hundred and Thirty Two Million)</p>

## Notes:

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 26 March 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- The details of the land search records of the property dated 6 February 2020 are summarised below:

Item	Details
Registered Owner:	Wealth Properties Limited by an assignment dated 20 April 2011 registered vide Memorial No. 11051300470056

<b>Item</b>	<b>Details</b>
Major Encumbrances:	<ul style="list-style-type: none"> <li>• Deed of Mutual Covenant dated 1 November 1967, registered vide Memorial No. UB603503</li> <li>• Order No. D00285/HK/07 by the Building Authority under S.26 of the Buildings Ordinance dated 18 December 2007, registered vide Memorial No. 08012901330014 (Remarks: Re: Exterior of the Building)</li> <li>• Mortgage in favour of China Cinda (HK) Asset Management Co., Limited to secure general credit facilities for the sum of \$150,000,000 (Pt.) dated 16 May 2019, registered vide Memorial No. 19051700950058</li> <li>• Rental Assignment in favour of China Cinda (HK) Asset Management Co., Limited dated 16 May 2019, registered vide Memorial No. 19051700950060</li> </ul>

4. The property is erected on The Remaining Portion of Inland Lot No. 7577, which is held under Conditions of Exchange No. 6136. The salient conditions are summarised below:

<b>Item</b>	<b>Details</b>
Lot Number:	Inland Lot No. 7577
Lease Term:	75 years renewable for 75 years commencing from 15 June 1960
Site Area:	Approximately 2,481 sqft
Major Special Conditions:	The lot shall not be used for industrial purposes and no factory building shall be erected thereon.

5. The property falls within an area zoned “Commercial (1)” under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 approved on 8 January 2019.

6. The general description and market information of the property are summarized below:

Location	:	The property is located at No. 57 Jardine’s Bazaar, Hong Kong.
Transportation	:	Hong Kong International Airport, Hong Kong West Kowloon High Speed Railway Station and Causeway Bay MTR Station are located approximately 40.0 kilometres, 7.5 kilometres and 0.1 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential and commercial area in Causeway Bay.

7. Pursuant to the information provided by the Company, Wealth Properties Limited is an indirect wholly-owned subsidiary of the Group.

8. In the course of our valuation of the property, we have considered and analysed the retail rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from HKD216 to HKD457 per sqft on the basis of saleable area. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is HKD352 per sqft on the basis of saleable area.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
6	Shop No. 1 on Ground Floor including Portions of the Flat Roof and Canopy over and above the Shop No. 1 on Ground Floor, K.K. Mansion, Nos. 119, 121 & 125 Caine Road, Mid-Levels, Hong Kong  (33/1,720 shares of and in the subject lots)	<p>The property comprises a shop on ground floor plus a flat roof of a 28-storey composite building plus a four-storey basement located in Mid-Levels.</p> <p>As per our scale-off measurement on the approved building plan, the property has a SA of approximately 1,329.57 sqft plus a flat roof of approximately 280.31 sqft. As per the Occupation Permit No. H107/73, it was completed in about 1973.</p> <p>The subject lots are held under four Government Leases for terms of 75 years renewable for 75 years commencing from 4 June 1931.</p>	<p>As per our on-site inspection and the information provided by the Group, the property is currently leased to A.S. Watson Retail (HK) Limited for personal care store use subject to a tenancy with a term of 3 years from 2 October 2018 to 1 October 2021 at a rent of HKD90,000 per month inclusive of government rent, but exclusive of rates, management fees and other charges.</p>	<p>HKD51,000,000 (Hong Kong Dollar Fifty One Million)</p> <p>100% Interest to be Attributable to the Group:</p> <p>HKD51,000,000 (Hong Kong Dollar Fifty One Million)</p>

## Notes:

- The property was inspected by Roy Chan *MRICS MHKIS RPS(GP)* on 19 March 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- The details of the land search records of the property dated 6 February 2020 are summarised below:

Item	Details
Registered Owner:	Pioneer Delight Limited by an assignment dated 29 April 2013 registered vide Memorial No. 13051502540169

Item	Details
Major Encumbrances:	<ul style="list-style-type: none"> <li>• Deed of Mutual Covenant with Plan dated 8 September 1973, registered vide Memorial No. UB1027847</li> <li>• Sub-Deed of Mutual Covenant dated 24 June 1977, registered vide Memorial No. UB1410604</li> <li>• Supplemental Deed to Deed of Partition Mem. No. 1503674 with Plan dated 17 April 1978, registered vide Memorial No. UB1526956</li> <li>• Mortgage in favour of Hang Seng Bank Limited dated 15 June 2018, registered vide Memorial No. 18062903140120</li> </ul>

4. The property is erected on The Remaining Portions of Inland Lot Nos. 3260, 3261, 3262 and 3263, which are held under four Government Leases. The salient conditions are summarised below:

Item	Details
Lot Number:	Inland Lot Nos. 3260, 3261, 3262 and 3263
Lease Term:	75 years renewable for 75 years commencing from 4 June 1931
Site Area:	<ul style="list-style-type: none"> <li>• Approximately 8,388 sqft (Inland Lot No. 3260)</li> <li>• Approximately 3,502 sqft (Inland Lot No. 3261)</li> <li>• Approximately 3,401 sqft (Inland Lot No. 3262)</li> <li>• Approximately 3,162 sqft (Inland Lot No. 3263)</li> </ul>
Major Special Conditions:	The said Lessee or any other person or persons shall not nor will during the continuance of this demise use exercise or follow in or upon the said premises or any part thereof the trade or business of a Brazier Slaughterman Soap-maker Sugar-baker Fellmonger Melter of tallow Oilman Butcher Distiller Victualler or Tavern-keeper Blacksmith Nightman Scavenger or any other noisy noisome or offensive trade or business whatever without the previous licence or His said Majesty signified in writing by the Governor or other person duly authorized in that behalf.

5. The property falls within an area zoned "Residential (Group A)" under Draft Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/33 exhibited on 9 August 2019.

6. The general description and market information of the property are summarized below:

Location	:	The property is located at Nos. 119, 121 & 125 Caine Road, Mid-Levels, Hong Kong.
Transportation	:	Hong Kong International Airport, Hong Kong West Kowloon High Speed Railway Station and Sheung Wan MTR Station are located approximately 37.0 kilometres, 7.0 kilometres and 0.5 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Mid-Levels.

7. Pursuant to the information provided by the Company, Pioneer Delight Limited is an indirect wholly-owned subsidiary of the Group.

8. In the course of our valuation of the property, we have considered and analysed the retail rental comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rents of the adopted comparables are ranging from HKD58 to HKD84 per sqft on the basis of saleable area. The unit rent adopted in the valuation are consistent with the unit rents of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rent of the property is HKD77 per sqft on the basis of saleable area.

## Group 2 - Property Interests to be Disposed of by the Group in the PRC

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
7	A parcel of residential land located at North of Fuxing Street, Lin'an District, Hangzhou, Zhejiang Province, the PRC	<p>The property comprises a parcel of residential land.</p> <p>As per the State-owned Land Use Rights Grant Contract, the subject site has a site area of approximately 23,642.00 square metres ("sqm").</p> <p>As per the State-owned Land Use Rights Grant Contract, the property has a maximum permissible GFA of approximately 42,555.60 sqm.</p> <p>The land use rights of the property were granted for a term of 70 years for residential uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently vacant.	<p>No Commercial Value</p> <p>100% Interest to be Attributable to the Group Before Disposal:</p> <p>No Commercial Value</p>

## Notes:

- The property was inspected by Noah Liu *Probationer of RICS* on 28 April 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, 3301852019A21063 dated 8 July 2019 and entered into between Hangzhou Planning and Natural Resources Bureau, Lin'an Branch and Hangzhou Minglun Industrial Co., Ltd. ("Hangzhou Minglun"), the land use rights of the property with a site area of 23,642.00 sqm were granted to Hangzhou Minglun for a term of 70 years for residential uses at a consideration of RMB347,580,000.

The salient conditions of the State-owned Land Use Rights Grant Contract are summarised below:

Item	Details
Land Use	Residential
Site Area	23,642.00 sqm
Lot No.	Lin Zheng Chu Chu No.[2019]31
Land Use Rights Term	70 years
Permissible GFA	From 23,642.00 sqm to 42,555.60 sqm
Plot Ratio	More than 1.0 but less than 1.8
Building Height	Less than 75 metres
Building Density	Less than 30%
Construction Period	Within 3.0 years after obtaining the Construction Project Work Commencement Permit

4. The general description and market information of the property are summarized below:

Location	:	The property is located at North of Fuxing Street, Lin'an District, Hangzhou, Zhejiang Province, the PRC.
Transportation	:	Hangzhou Xiaoshan International Airport, Hangzhou Railway Station and Lin'an East Passenger Transport Terminal are located approximately 96.2 kilometres, 59.4 kilometres and 4.7 kilometres away from the Property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Lin'an District with some commercial buildings available.

5. Pursuant to the information provided by the Company, Hangzhou Minglun is an indirect wholly-owned subsidiary of the Group.

6. We have been provided with a legal opinion regarding the property by Beijing Kangda Law Firm, which contains, inter alia, the following:

- (a) The State-owned Land Use Rights Grant Contract of the property is legitimate and effective, and the contracted parties are legally bounded by it. Pursuant to the "Land Grant Consideration Special Notes", the first payment of RMB173,790,000 required under the State-owned Land Use Rights Grant Contract has been settled;
- (b) Except if there are any seizures, pre-seizures and ancillary enforcement actions undertaken by the court during the process of applying for a State-owned Land Use Rights Certificate, the grantee of the property can obtain a State-owned Land Use Rights Certificate upon the timely settlement of the land consideration as required under the State-owned Land Use Rights Grant Contract; and
- (c) As the grantee of the property has not obtained a Real Estate Title Certificate for the property, the grantee is not able to pledge the property.

7. As advised by the Group, the property is yet to be granted with a proper title certificate of land use rights. In the course of our valuation, we have attributed no commercial value to the property. The reference value of the property, assuming that it has been granted with a proper title certificate of land use rights and it can be freely transferred, as at the Valuation Date was circa RMB345,000,000.

8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB7,047 to RMB8,709 per sqm on the basis of maximum permissible GFA. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rate of the property is RMB8,100 per sqm on the basis of maximum permissible GFA.

## Group 3 - Property Interests Held by the Group for Development in the PRC

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
8	Nanshan Qianshuiwan Phase II, South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jaingsu Province, the PRC	<p>The property comprises three parcels of land, on which a residential and commercial development will be developed.</p> <p>As per the Real Estate Title Certificates, the subject site has a total site area of approximately 109,087.00 sqm. As per the information provided by the Group, the property has a proposed GFA of approximately 230,583.45 sqm, of which the aboveground GFA and the underground GFA are approximately 160,002.80 sqm and 70,580.65 sqm respectively.</p> <p>The land use rights of the property were granted for terms expiring on 13 November 2077 and 2 November 2078 for residential uses, and 13 November 2047 and 2 November 2048 for commercial uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently undergoing construction works, which is expected to be completed in about 2023.	<p>RMB793,000,000 (Renminbi Seven Hundred and Ninety Three Million)</p> <p>100% Interest to be Attributable to the Group:</p> <p>RMB793,000,000 (Renminbi Seven Hundred and Ninety Three Million)</p>

## Notes:

- The property was inspected by Noah Liu *Probationer of RICS* on 26 April 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.



3. Pursuant to two State-owned Land Use Rights Grant Contracts, entered into between Zhenjiang State-owned Land Resources Bureau and Danyang City Tiangong Real Estate Development Co., Ltd. (“Danyang City Tiangong”), the land use rights of the master lot of the property with a total site area of 142,704.00 sqm were granted to Danyang City Tiangong, for terms of 70 years for residential uses and 40 years for commercial uses at a total consideration of RMB72,500,000.

The details of the State-owned Land Use Rights Grant Contracts are summarized below:

<b>Lot No.</b>	<b>Date of Instrument</b>	<b>Site Area (sqm)</b>	<b>Consideration (RMB)</b>
07-1-5	16 February 2007	120,295.00	59,000,000
08-1-8	26 June 2008	22,409.00	13,500,000
<b>Total</b>		<b>142,704.00</b>	<b>72,500,000</b>

4. Pursuant to three Real Estate Title Certificates, dated 6 April 2019 and issued by Zhenjiang State-owned Land Resources Bureau, the land use rights of the property with a total site area of 109,087.00 sqm were granted to Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd. (“Zhenjiang Tiangong”) for various terms.

The details of the Real Estate Title Certificates are summarized below:

<b>Certificate No.</b>	<b>Site Area (sqm)</b>	<b>Land Use Rights Expiry Date</b>	<b>Use</b>
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043890	85,264.00	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043879	14,316.00	Residential: 2 November 2078 Commercial: 2 November 2048	Residential and Commercial
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043891	9,507.00	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial
<b>Total</b>	<b>109,087.00</b>		

5. Pursuant to two Construction Land Use Planning Permits, issued by Zhenjiang Planning Bureau, the proposed land use of the property was approved.

The details of the Construction Land Use Planning Permits are summarized below:

<b>Permit No.</b>	<b>Date of Instrument</b>
Zhen Gui Di Dan (07) No. 024	7 November 2007
Di Zi Di No. 321112200800014	20 October 2008

6. Pursuant to 30 Construction Project Planning Permits, issued by Zhenjiang Natural Resources and Planning Bureau and Zhenjiang Planning Bureau, the proposed development of the property was approved.

The details of the Construction Project Planning Permits are summarized below:

Permit No.	Date of Instrument
321112201900111	28 March 2019
321112201900112	28 March 2019
321112201900113	28 March 2019
321112201900114	28 March 2019
321112201900122	28 March 2019
321112201900115	28 March 2019
321112201900116	28 March 2019
321112201900117	28 March 2019
321112201900118	28 March 2019
321112201900123	28 March 2019
321112201900124	28 March 2019
321112201900119	28 March 2019
321112201900131	28 March 2019
321112201900132	28 March 2019
321112201900133	28 March 2019
321112201900134	28 March 2019
321112201900120	28 March 2019
321112201900125	28 March 2019
321112201900126	28 March 2019
321112201900129	28 March 2019
321112201900121	28 March 2019
321112201900127	28 March 2019
321112201900128	28 March 2019
321112201900130	28 March 2019
321112201900003	14 January 2019
321112201900004	14 January 2019
321112201900005	14 January 2019
321112201900006	14 January 2019
321112201900135	28 March 2019
321112201900007	14 January 2019

7. Pursuant to two Construction Project Work Commencement Permits, issued by Zhenjiang Dantu District Housing and City and Rural Construction Bureau, the construction of the proposed development of the property was approved to commence.

The details of the Construction Land Use Planning Permits are summarized below:

Permit No.	Date of Instrument
321112201904260101	26 April 2019
321112201902270101	27 February 2019

8. Pursuant to six Pre-sale Permits, issued by Zhenjiang Housing and City and Rural Construction Bureau, the pre-sale of a portion of the property was permitted.

The details of the Pre-sale Permits are summarized below:-

Permit No.	Date of Instrument
Zhen Zhu Jian Di No. 192010	25 June 2019
Zhen Zhu Jian Di No. 192041	13 November 2019
Zhen Zhu Jian Di No. 192049	30 December 2019
Zhen Zhu Jian Di No. 202003	21 January 2020
Zhen Zhu Jian Di No. 202005	8 April 2020
Zhen Zhu Jian Di No. 202006	8 April 2020

9. Pursuant to six Mortgage Agreements, entered into between Shanghai Aijian Trust Co., Limited (“Shanghai Aijian”) and Zhenjiang Tiangong, the land use rights of the property were subject to mortgage.

The details of the Mortgage Agreements are summarized below:-

<b>Agreement No.</b>	<b>Date of Instrument</b>
SSHY-DY-01-A-01	18 April 2019
SSHY-DY-01-A-02	18 April 2019
SSHY-DY-01-A-03	18 April 2019
SSHY-DY-02-A-01	18 April 2019
SSHY-DY-02-A-02	18 April 2019
SSHY-DY-02-A-03	18 April 2019

10. The general description and market information of the property are summarized below:

Location	:	The property is located at South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jaingsu Province, the PRC.
Transportation	:	Nanjing Lukou International Airport and Zhenjiang South Railway Station are located approximately 105.0 kilometres and 4.4 kilometres away from the Property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Dantu District.

11. Pursuant to the information provided by the Company, Zhenjiang Tiangong, which is previously named as Danyang City Tiangong is an indirect wholly-owned subsidiary of the Group.

12. We have been provided with a legal opinion regarding the property by Beijing Kangda Law Firm, which contains, inter alia, the following:

- (a) Zhejiang Tiangong has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
- (b) Subject to the agreement of the mortgagee, Shanghai Aijian, Zhejiang Tiangong can occupy, use, let, transfer, mortgage or by other means handle the relevant state-owned land use rights of the property.
- (c) The state-owned land use rights of the property are subject to a mortgage, but are not subject to any identified dispute or seizure. The mortgagee is Shanghai Aijian.

13. The gross development value of the property, assuming that it has been completed and it can be freely transferred, as at the Valuation Date was circa RMB2,029,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa RMB740,000,000 and RMB81,000,000 respectively.

14. In the course of our valuation of the property, we have considered and analysed the apartment, house, retail and car parking space sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB9,500 to RMB12,500 per sqm for apartment, ranging from RMB12,000 to RMB18,500 per sqm for house, ranging from RMB18,500 to RMB23,500 per sqm for retail on the basis of gross floor area, and ranging from RMB80,000 to RMB120,000 per space for car parking space. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rates of the property are RMB10,500 per sqm for apartment, RMB16,000 per sqm for house, RMB18,300 per sqm for retail on the basis of gross floor area, and RMB120,000 per space for car parking space.

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2020
9	Sansheng Yijing Huafu, South of Jingang Avenue and West of Huajin Street, Jindong District, Jinhua, Zhejiang Province, the PRC	<p>The property comprises a parcel of land, on which a residential and commercial development will be developed.</p> <p>As per the Real Estate Title Certificate, the subject site has a site area of approximately 99,575.51 sqm. As per the information provided by the Group, the property has a proposed GFA of approximately 297,095.18 sqm, of which the aboveground GFA and the underground GFA are approximately 244,665.58 sqm and 52,429.60 sqm respectively.</p> <p>The land use rights of the property were granted for a term expiring on 18 January 2088 for residential uses and 18 January 2058 for commercial, entertainment and business uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently undergoing construction works, which is expected to be completed in about 2020.	<p>RMB1,860,000,000 (Renminbi One Billion Eight Hundred and Sixty Million)</p> <p>48.51% Interest to be Attributable to the Group:</p> <p>RMB902,286,000 (Renminbi Nine Hundred and Two Million Two Hundred and Eighty Six Thousand)</p>

## Notes:

1. The property was inspected by Noah Liu *Probationer of RICS* on 28 April 2020.
2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.

3. Pursuant to a State-owned Land Use Rights Grant Contract, 3307042017A21034 dated 1 December 2017 and entered into between Jinhua State-owned Land Resources Bureau and Hangzhou Jinghan Investment Management Co., Ltd. ("Hangzhou Jinghan"), the land use rights of the property with a site area of 99,575.51 sqm were granted to Hangzhou Jinghan for a term of 70 years for residential uses and 40 years for commercial, entertainment and business uses at a consideration of RMB537,707,754.
4. Pursuant to a Real Estate Title Certificate, Zhe (2018) Jinhua Bu Dong Chan Quan Di No.0008419 dated 5 February 2018 and issued by Jinhua State-owned Land Resources Bureau, the land use rights of the property with a site area of 99,575.51 sqm were granted to Jinhua Mingrui Real Estate Development Co., Ltd. ("Jinhua Mingrui") for a term expiring on 18 January 2088 for residential uses and 18 January 2058 for commercial, entertainment and business uses.
5. Pursuant to a Construction Land Use Planning Permit, 330704201700037 dated 15 December 2017 and issued by Jinhua Planning Bureau, the proposed land use of the property was approved.
6. Pursuant to two Construction Project Planning Permits, issued by Jinhua Planning Bureau, the proposed development of the property was approved.

The details of the Construction Project Planning Permits are summarized below:

Permit No.	Date of Instrument
330704201800037	11 May 2018
330704201800072	28 August 2018

7. Pursuant to a Construction Project Work Commencement Permit, 330703201805240101 dated 24 May 2018 and issued by Jinyi New Urban Area Construction Management Bureau, the construction of the proposed development of the property was approved to commence.
8. Pursuant to seven Pre-sale Permits, issued by Jinhua Housing and City and Rural Construction Bureau, the pre-sale of a portion of the property was permitted.

The details of the Pre-sale Permits are summarized below:-

Permit No.	Date of Instrument
Jin Yi Xin Qu Yu Shou Xu Zi (2018) Di No. A06	13 August 2018
Jin Yi Xin Qu Yu Shou Xu Zi (2018) Di No. A16	16 October 2018
Jin Yi Xin Qu Yu Shou Xu Zi (2018) Di No. A22	26 November 2018
Jin Yi Xin Qu Yu Shou Xu Zi (2019) Di No. A04	28 February 2019
Jin Yi Xin Qu Yu Shou Xu Zi (2019) Di No. A08	14 May 2019
Jin Yi Xin Qu Yu Shou Xu Zi (2019) Di No. A13	27 June 2019
Jin Yi Xin Qu Yu Shou Xu Zi (2019) Di No. A19	6 September 2019

9. Pursuant to a Mortgage Agreement, Huarong Y00190031-17 dated 28 February 2019 entered into between China Everbright Bank Co., Ltd. Baotou Branch and Jinhua Mingrui, the land use rights of 142 commercial and office units of the property were subject to mortgage. As per the information provided by the Group, the mortgage of 5 units was discharged on 25 February 2020, the mortgage of 3 units was discharged on 26 April 2020, and the remaining 134 units were subject to a mortgage.
10. The general description and market information of the property are summarized below:

Location	:	The property is located at South of Jingang Avenue and West of Huajin Street, Jindong District, Jinhua, Zhejiang Province, the PRC.
Transportation	:	Yiwu Airport and Jinhua South Railway Station are located approximately 31.7 kilometres and 23.4 kilometres away from the Property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Jindong District.

11. Pursuant to the information provided by the Company, the Group holds 48.51% equity interest of Hangzhou Jinghan and the Group holds 48.51% equity interest of Jinhua Mingrui.
12. We have been provided with a legal opinion regarding the property by Beijing Kangda Law Firm, which contains, inter alia, the following:
  - (a) Jinhua Mingrui has obtained the state-owned land use rights of the property in accordance with laws, and is the legal holder of the state-owned land use rights of the property.
  - (b) Subject to the agreement of the mortgagee, China Everbright Bank Co., Ltd. Baotou Branch, Jinhua Mingrui can occupy, use, let, transfer or mortgage the relevant state-owned land use rights of 134 commercial and office units of the property.
  - (c) The state-owned land use rights of 134 commercial and office units of the property are subject to a mortgage, but are not subject to any registered dispute or seizure. The mortgagee is China Everbright Bank Co., Ltd. Baotou Branch.
13. The gross development value of the property, assuming that it has been completed and it can be freely transferred, as at the Valuation Date was circa RMB2,596,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa RMB385,000,000 and RMB628,000,000 respectively.
14. In the course of our valuation of the property, we have considered and analysed the apartment, retail, office and car parking space sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB9,500 to RMB10,600 per sqm for apartment, ranging from RMB12,000 to RMB14,500 per sqm for retail, ranging from RMB8,600 to RMB11,500 per sqm for office on the basis of gross floor area, and ranging from RMB100,000 to RMB150,000 per space for car parking space. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rates of the property are RMB10,000 per sqm for apartment, RMB14,000 per sqm for retail, RMB10,000 per sqm for office on the basis of gross floor area, and RMB130,000 per space for car parking space.



### 3. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date,

- (a) neither the Company nor any of the Directors have any interest in the Relevant Securities of the Offeror, and none of them had dealt for value in any Relevant Securities of the Offeror during the Relevant Period;
- (b) none of the Directors held any Relevant Securities of the Company and none of the Directors had dealt for value in any Relevant Securities of the Company during the Relevant Period;
- (c) no Relevant Securities of the Company were owned or controlled by a subsidiary of the Company, by a pension fund of any member of the Group, or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, and no such person had dealt for value in any Relevant Securities of the Company since commencement of the Offer Period and up to the Latest Practicable Date;
- (d) there were no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had default for value in any Relevant Securities of the Company since commencement of the Offer Period and up to the Latest Practicable Date;
- (e) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any Relevant Securities of the Company since commencement of the Offer Period and up to the Latest Practicable Date; and
- (f) neither the Company nor any of the Directors had borrowed or lent any Relevant Securities of the Company.

### 4. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.



## 5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or its subsidiaries) have been entered into by the Company or its subsidiaries after the date which is two years before commencement of the Offer Period and up to the Latest Practicable Date and are or may be material in relation to the business of the Company as a whole:

- (i) the sale and purchase agreement dated 2 December 2017 entered into among Chen Lingen and Chen Xiaohua as vendors and Shanghai Yuexin (a wholly-owned subsidiary of High Morality Limited which became an indirect wholly-owned subsidiary of the Company following completion of the acquisition of High Morality Limited as detailed in (iv) below) as purchaser in relation to the acquisition of the entire equity interest in Zhenjiang Tiangong (formerly known as 丹陽市天工房地產開發有限公司 (Danyang City Tiangong Real Estate Development Co., Ltd\*)) by Shanghai Yuexin at the consideration of approximately RMB184.4 million;
- (ii) the subscription agreement dated 25 January 2018 entered into between Shenwei (Hong Kong) Limited (“**Shenwei HK**”), a wholly-owned subsidiary of High Morality Limited, and LZ Investment Limited in relation to the subscription of unlisted shares of LZ Investment Limited by Shenwei HK at the total subscription price of RMB50 million;
- (iii) the instrument of transfer dated 26 October 2018 in relation to the disposal of the unlisted shares of LZ Investment Limited by Shenwei HK, a wholly-owned subsidiary of High Morality Limited, to Global International Investment Limited, a related party of 上海三盛房地產 (集團) 有限責任公司 (Shanghai Sansheng Real Estate (Group) Company Limited\*) (“**Sansheng Real Estate**”), at the consideration of approximately HK\$62.4 million;
- (iv) the sale and purchase agreement dated 9 December 2018 entered into among Agile Scene Limited (an indirect wholly-owned subsidiary of the Company, as purchaser), Sanshenghongye (BVI) Holdings Limited (as vendor) and Sansheng Real Estate (as guarantor) in relation to the acquisition of the entire issued share capital of High Morality Limited, which is the indirect holding company of Zhenjiang Tiangong, by Agile Scene Limited from Sanshenghongye (BVI) Holdings Limited at the consideration of approximately RMB194.9 million;
- (v) the sale and purchase agreement dated 4 February 2019 entered into among Agile Scene Limited (an indirect wholly-owned subsidiary of the Company, as purchaser), Sanshenghongye (BVI) Holdings Limited (as vendor) and Shanghai Sansheng (as guarantor) in relation to the acquisition of a 49% equity interest in Yitai International (BVI) Holdings Limited (“**Yitai**”), which in turn holds 99% interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Limited\*, “**Jinhua Mingrui**”, a property development company) at a consideration of approximately RMB255.6 million;
- (vi) the supplemental deed (the “**Supplemental Deed**”) dated 7 March 2019 entered into among Agile Scene Limited, Sanshenghongye (BVI) Holdings Limited and Shanghai Sansheng which supplemented and amended the agreement as detailed in (v) above, pursuant to which Sanshenghongye (BVI) Holdings Limited agreed to procure 杭州銘瑞房地產開發有限公司 (Hangzhou Mingrui Real Estate Development Company Limited\*, “**Hangzhou Mingrui**”, an indirect wholly-owned subsidiary of Shanghai Sansheng) to assign the loan in the principal amount of RMB48.51 million owed by 杭州景涵投資管理有限公司 (Hangzhou Jinghan Investment Management Co., Ltd.\*, “**Hangzhou Jinghan**”, the immediate holding company of Jinhua Mingrui) to Hangzhou Mingrui to Agile Scene Limited or its nominee (which shall be a wholly-owned subsidiary of the Company) while the consideration shall remain at approximately RMB255.6 million;

- (vii) the shareholders' agreement dated 2 April 2019 entered into among Shenwei International Holdings Limited (a joint venture partner which holds 51% equity interest in Yitai), Agile Scene Limited (an indirect wholly-owned subsidiary of the Company which holds a 49% equity interest in Yitai) and Yitai, setting out the rights and obligations of the shareholders of Yitai;
- (viii) the assignment of debt dated 2 April 2019 entered into among Hangzhou Mingrui (as assignor), 舟山銘泰物業管理有限公司 (Zhoushan Mingtai Property Management Co., Limited\*, an indirect wholly-owned subsidiary of the Company, as assignee) and Hangzhou Jinghan (the immediate holding company of Jinhua Mingrui) in relation to the assignment of Hangzhou Jinghan's debt owed to Hangzhou Mingrui in the principal amount of RMB48.51 million pursuant to the Supplemental Deed;
- (ix) the transfer agreement dated 8 July 2019 entered into between Hangzhou Minglun, an indirect wholly-owned subsidiary of the Company, and Lin'an Resources Bureau in relation to the bidding of the parcel of land located in Lin'an District, Hangzhou City, Zhejiang Province, the PRC (浙江省杭州市臨安區) at the price of approximately RMB347.6 million;
- (x) the sale and purchase agreement dated 8 August 2019 entered into among Foshan Sansheng (an indirect wholly-owned subsidiary of Shanghai Sansheng, as vendor), Foshan Express (an indirect wholly-owned subsidiary of the Company, as purchaser), and Zhoushan Sansheng (as the target company) in relation to the acquisition of the entire equity interest in Zhoushan Sansheng (the "**Hotel Agreement**") at the consideration of RMB120.0 million (subject to adjustment);
- (xi) the agreement in writing entered into among the parties to the Hotel Agreement on 31 December 2019 in relation to the extension of the latest date for fulfillment of the conditions precedent under the Hotel Agreement from 31 December 2019 to 30 June 2020;
- (xii) the agreement dated 13 February 2020 entered into among Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingyi and Shanghai Aijian in relation to the renewal of the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong with a total outstanding principal amount of RMB469.4 million; and
- (xiii) the conditional sale and purchase agreement dated 7 April 2020 entered into among Dongtou (an independent third party of the Company as purchaser), Zhoushan Mingyi (as vendor) and Hangzhou Minglun in relation to the disposal of the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan owed by Hangzhou Minglun to the Group) by Zhoushan Mingyi to Dongtou at the consideration of RMB177.27 million.

**6. EXPERTS AND CONSENTS**

The following is the qualification of the experts who have given opinion or advice which are contained or referred to in this Response Document:

<b>Expert</b>	<b>Qualification</b>
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO
Vincorn Consulting and Appraisal Limited	independent professional property valuer

The above experts have given and have not withdrawn their written consent to the issue of this Response Document with the inclusion of their letter and references to their names in the form and context in which they are included.

As at the Latest Practicable Date, none of the above experts was beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, none of the above experts have any interest, either directly or indirectly, in any assets which have been, since 31 December 2019 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. ARRANGEMENT AFFECTING DIRECTORS**

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been given or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest.

**8. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group or associated companies of the Group (i) which (including both continuous and fixed terms contracts) have been entered into or amended in the Relevant Period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

**9. MISCELLANEOUS**

The English text of this Response Document shall prevail over the Chinese text for the purpose of interpretation.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection on the websites of the SFC ([www.sfc.hk](http://www.sfc.hk)) and the Company ([www.zhongchangintl.hk](http://www.zhongchangintl.hk)) and, during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays), at the Company's Hong Kong principal office address at Suite 1711 Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this Response Document until the close of the Offer:

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for the year ended 31 March 2018, for the nine months ended 31 December 2018 and for the year ended 31 December 2019;
- (c) the letter from the Board as set out on pages 5 to 13 of this Response Document;
- (d) the letter from the Independent Board Committee as set out on pages 14 to 15 of this Response Document;

- (e) the letter from Altus Capital as set out on pages 16 to 39 of this Response Document;
- (f) the property valuation report issued by Vincorn as set out on pages 45 to 74 of this Response Document;
- (g) the written consents as referred to in the section headed “Experts and Consents”, in this appendix;
- (h) the material contracts as referred to in the section headed “Material Contracts” in this appendix; and
- (i) this Response Document.