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

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

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**Chuang's China Investments Limited**  
**(莊士中國投資有限公司)**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 298)**

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE PROPOSED DISPOSALS OF  
(I) THE SALE SHARES AND THE SALE LOAN;  
AND (II) THE PRC SALE SHARES  
AND NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser to the Company**



A letter from the board of directors of Chuang's China Investments Limited is set out on pages 8 to 21 of this circular.

A notice convening the SGM to be held at 7th Floor, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Tuesday, 13 April 2021 at 11:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Tricor Progressive Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof).

**PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING**

To safeguard the health and safety of attending shareholders and proxies and to reduce the risk of Covid-19 spreading, the following precautionary measures will be taken at the meeting of the Company:

- (i) compulsory body temperature check;
- (ii) mandatory wearing of surgical face mask (please bring your own);
- (iii) no refreshments will be served and no corporate gifts will be distributed;
- (iv) no entry will be allowed to any person who is subject to mandatory quarantine order imposed by the HKSAR Government and any person who does not comply with the precautionary measures may be denied entry into the meeting venue; and
- (v) in order to ensure appropriate social distancing, attendees will be assigned seats in different rooms or partitioned areas with telecommunication facilities, if appropriate.

**Shareholders are strongly encouraged to appoint the Chairman of the meeting of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the meeting of the Company in person.**

**Subject to the development of Covid-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.**

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## DEFINITIONS

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

“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday in the PRC, Hong Kong or Singapore or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in the PRC, Hong Kong and Singapore are open for general banking business in the PRC, Hong Kong and Singapore throughout their normal business hours
“Chuang’s Consortium”	Chuang’s Consortium International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 367)
“Chuang’s Consortium Group”	Chuang’s Consortium and its subsidiaries
“Chuang’s Consortium SGM”	the special general meeting of Chuang’s Consortium to be convened for the Chuang’s Consortium Shareholders for the purpose of considering, and, if thought fit, to approve, among other matters, the SP Agreement A and the SP Agreement B and the transactions contemplated thereunder
“Chuang’s Consortium Shareholder(s)”	shareholder(s) of Chuang’s Consortium
“Colliers”	Colliers International (Hong Kong) Limited, an independent valuer appointed by the Company to carry out a valuation of the Phase 3 Project, the Inventories and the Crystal Clubhouse
“Company”	Chuang’s China Investments Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 298). As at the Latest Practicable Date, the Company is owned as to 60.71% by the Chuang’s Consortium Group
“Completion”	completion of the SP Agreement A
“Consideration”	the total consideration for the disposal of the Sale Shares and the Sale Loan payable by the Purchaser to the Vendor in relation to the SP Agreement A

## DEFINITIONS

“Construction Costs Reimbursement”	the agreed construction costs of Phase 3 Project incurred and paid by the Panyu ProjectCo before Completion, and are payable by the Purchaser to the Vendor as reimbursement pursuant to the terms and conditions of the SP Agreement A, and is estimated to be not more than approximately RMB99,760,418 (equivalent to approximately HK\$119.7 million) as at Completion
“Crystal Clubhouse”	the clubhouse, being the core asset owned by Kai Xiang, located at Phase 1 of the Project having GFA of approximately 809 sq. m. and one car parking space
“Deferred Consideration”	RMB99,868,000 (equivalent to approximately HK\$119.8 million), which represents 8% of the agreed value of the Phase 3 Project under the SP Agreement A
“Deferred Tax Amount”	the capped amount of RMB25 million (equivalent to approximately HK\$30.0 million) payable by the Purchaser to the Vendor
“Deposit”	deposit paid by the Purchaser under the SP Agreement A
“Directors”	directors of the Company
“Double Wealthy”	Double Wealthy Company Limited, a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Vendor
“Double Wealthy Completion NAV”	the aggregate of all other assets of Double Wealthy Group (excluding the Phase 3 Project, the Inventories, the Construction Costs Reimbursement, the Retained Assets, the Retained Villa, the Retained Carparks and the Sold Villa) less the aggregate of all liabilities and provisions (excluding the Sale Loan and the deferred taxation liabilities) of Double Wealthy Group on the date of Completion, subject to other adjustment principles as set out in the SP Agreement A
“Double Wealthy Group”	Double Wealthy and the Panyu ProjectCo
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inventories”	comprising (i) the 15 unsold villas of the Project with total GFA of about 4,764 sq. m.; (ii) the 368 unsold car parking spaces of the Project; and (iii) a commercial unit with total GFA of about 821 sq. m. of the Project
“Kai Xiang”	Guangzhou Kai Xiang Properties Management Company Limited <sup>#</sup> (廣州市凱翔物業管理有限公司), a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of the PRC Vendor
“Kai Xiang Completion NAV”	the aggregate of all other assets of Kai Xiang (excluding the Crystal Clubhouse) less the aggregate of all liabilities and provisions (excluding the deferred taxation liabilities, if any) of Kai Xiang on the date of Completion
“Latest Practicable Date”	17 March 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	(i) 31 July 2021; or (ii) in the event that the satisfaction of the conditions precedent cannot be reasonably practicably be satisfied by 31 July 2021 due to delays caused by Covid-19 or in the event that the assessment of Seller’s Tax Liability is not obtained by 31 July 2021, 30 September 2021; or (iii) in the event that the tax assessment of Seller’s Tax Liability is not obtained by 30 September 2021, such other date as may be extended by the Purchaser; or (iv) such other date as agreed between the Purchaser and the Vendor in writing under the SP Agreement A

## DEFINITIONS

“Material Adverse Effect”	any material adverse effect on the business, operations, assets (including the Phase 3 Project and the Inventories (subject to fair wear and tear)), financial conditions or operating results, of Double Wealthy Group as a whole or breach of warranties and any provisions of SP Agreement A, which results in a decrease in value of the Double Wealthy Group exceeding RMB300 million (equivalent to approximately HK\$360.0 million), other than those resulting primarily from general market condition and/or general economic environment (including Covid-19) and/or any material changes in applicable laws and/or applicable measures and/or directives in place in the PRC after the date of the SP Agreement A
“MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“Panyu ProjectCo”	Guangzhou Panyu Chuang’s Real Estate Development Company Limited <sup>#</sup> (廣州市番禺區莊士房地產開發有限公司), a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Double Wealthy
“Phase 3 Project”	comprising Phase 3 of Chuang’s Le Papillon (莊士映蝶藍灣) located at No. 126, Liangang Road, Shilou Town, Panyu District, Guangzhou, the PRC, having an aggregate site area of approximately 95,771 sq. m. and total GFA for future development of approximately 175,011 sq. m. and saleable GFA of approximately 162,958.64 sq. m.. Construction works have commenced for about 85,588 sq. m.
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Consideration”	the consideration for the disposal of the PRC Sale Shares payable by the PRC Purchaser Group to the PRC Vendor in relation to the SP Agreement B
“PRC Purchaser 1”	First Sponsor (Guangdong) Group Limited <sup>#</sup> (首鑄(廣東)集團有限公司), a company incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Purchaser’s Guarantor
“PRC Purchaser 2”	Shoucheng (Dongguan) Real Estate Co., Ltd. <sup>#</sup> (首誠(東莞)房地產有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Mr. Shu Zhen, an independent third party

## DEFINITIONS

“PRC Purchaser Group”	the PRC Purchaser 1 and the PRC Purchaser 2
“PRC Sale Shares”	entire issued share capital of Kai Xiang
“PRC Vendor”	Guangzhou Heng Yang Investment Services Limited <sup>#</sup> (廣州恒陽投資諮詢服務有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Project”	the property development project, known as “Chuang’s Le Papillon (莊士映蝶藍灣)”, located at No. 126, Liangang Road, Shilou Town, Panyu District, Guangzhou, the PRC, comprising (i) Phase 1 and Phase 2, all of which are already developed by the Panyu ProjectCo; and (ii) the Project 3 Project
“Purchaser”	FS Dongguan No. 6 Ltd, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Purchaser’s Guarantor
“Purchaser’s Guarantor”	First Sponsor Group Limited, a limited liability company incorporated in the Cayman Islands and its shares are listed on the Singapore Exchange Securities Trading Limited (stock code: ADN)
“Remaining Group”	the Group other than Double Wealthy Group and Kai Xiang as contemplated under the SP Agreement A and the SP Agreement B, respectively
“Retained Assets”	other assets comprising (i) six motor vehicles; and (ii) those moveable office equipment (including computers and servers), all currently owned by the Panyu ProjectCo
“Retained Carparks”	comprising 10 unsold carparks of Phase 1 and Phase 2 of the Project
“Retained Villa”	comprising (i) one fully furnished villa with GFA of about 318 sq. m. located in Phase 2 of the Project; and (ii) four car parking spaces in Phase 2 of the Project
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the entire amount of the unsecured interest-free loan owing by Double Wealthy to the Vendor immediately prior to the Completion of the SP Agreement A, which amounted to approximately HK\$89.8 million as at 30 September 2020
“Sale Shares”	entire issued share capital of Double Wealthy

## DEFINITIONS

“Seller’s Tax Liability”	the amount of the tax liability in the PRC of the Vendor arising from or relating to the transactions contemplated under the SP Agreement A, which shall not exceed RMB200 million
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Shareholders of the Company for the purpose of considering, and, if thought fit, to approve, among other matters, the SP Agreement A and the SP Agreement B and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.05 each in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Sold Villa”	one villa with GFA of about 318 sq. m. located in Phase 2 of the Project which is sold to an independent third party under a sale and purchase agreement and the relevant sale and purchase agreement is not yet completed as at the Latest Practicable Date
“SP Agreement A”	the conditional sale and purchase agreement dated 9 February 2021 entered into amongst the Vendor, the Purchaser, the Company and the Purchaser’s Guarantor in relation to the proposed disposal of the Sale Shares and the Sale Loan
“SP Agreement B”	the conditional sale and purchase agreement dated 9 February 2021 entered into amongst the PRC Vendor and the PRC Purchaser Group in relation to the proposed disposal of the PRC Sale Shares
“sq. ft.”	square feet
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chuang’s China Realty Limited, a company incorporated in Bermuda with limited liability and is a direct wholly-owned subsidiary of the Company
“%”	per cent



## DEFINITIONS

*For the purpose of illustration only and unless otherwise stated, the translation of RMB into HK\$ in this circular is based on the approximate exchange rate of RMB1.0 = HK\$1.2. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

# *English translation only*



Chuang's China Investments Limited

(莊士中國投資有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 298)

*Executive Directors:*

Mr. Albert Chuang Ka Pun J.P. (*Chairman*)  
Miss Ann Li Mee Sum (*Deputy Chairman*)  
Mr. Chong Ka Fung (*Managing Director*)  
Mr. Sunny Pang Chun Kit  
Mr. Geoffrey Chuang Ka Kam  
Mr. Neville Charles Kotewall

*Non-executive Director:*

Mr. Dominic Lai

*Independent Non-executive Directors:*

Mr. Abraham Shek Lai Him G.B.S., J.P.  
Mr. Andrew Fan Chun Wah J.P.  
Dr. Eddy Li Sau Hung G.B.S., J.P.  
Dr. Ng Kit Chong M.H.

*Registered office:*

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*Principal office in Hong Kong:*

25th Floor  
Alexandra House  
18 Chater Road  
Central  
Hong Kong

19 March 2021

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE PROPOSED DISPOSALS OF  
(I) THE SALE SHARES AND THE SALE LOAN;  
AND (II) THE PRC SALE SHARES**

**INTRODUCTION**

The Board announced that on 9 February 2021 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company), the Purchaser, the Company (as the Vendor's Guarantor) and the Purchaser's Guarantor entered into the SP Agreement A, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares (being the entire issued share capital of Double Wealthy) and the Sale Loan.

## LETTER FROM THE BOARD

At the same time, the Board announced that on 9 February 2021 (after trading hours), the PRC Vendor (an indirect wholly-owned subsidiary of the Company) and the PRC Purchaser Group entered into the SP Agreement B, pursuant to which the PRC Purchaser Group has conditionally agreed to acquire, and the PRC Vendor has conditionally agreed to sell, the PRC Sale Shares (being the entire issued share capital of Kai Xiang).

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the disposals is above 75% for the Company, the disposals in aggregate, constitute a very substantial disposal of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further information on the disposals, a valuation report of the Phase 3 Project, the Inventories and the Crystal Clubhouse, other information as required under the Listing Rules and a notice of the SGM at which the necessary resolution(s) will be convened for the Shareholders for the purpose of considering, and, if thought fit, to approve, among other matters, the disposals contemplated thereunder the SP Agreement A and the SP Agreement B.

### THE SP AGREEMENT A

#### 1. Date

9 February 2021 (after trading hours)

#### 2. Parties

The Vendor: Chuang's China Realty Limited

The Vendor's Guarantor: the Company

The Purchaser: FS Dongguan No. 6 Ltd

The Purchaser's Guarantor: First Sponsor Group Limited

The Company and the Purchaser's Guarantor were joined as parties to the SP Agreement A to guarantee the performance of the Vendor and the Purchaser respectively under the SP Agreement A.

#### 3. Assets to be disposed of

Pursuant to the SP Agreement A, the assets to be disposed of by the Vendor to the Purchaser comprise (i) the Sale Shares; and (ii) the Sale Loan.

The Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan to the Purchaser free from encumbrances but together with all rights attached, accrued or accruing thereto as at the date of Completion and together with all dividends and distributions declared, made or paid or agreed to be made or paid thereon or in respect thereof on or after the date of Completion.

## LETTER FROM THE BOARD

### 4. Consideration

The Consideration to be received by the Vendor from the Purchaser is estimated to be not more than approximately RMB1,564,141,479 (equivalent to approximately HK\$1,877.0 million) (subject to adjustments), which shall be the aggregate of (i) the agreed value of the Phase 3 Project of RMB1,248,350,000 (equivalent to approximately HK\$1,498.0 million) (discount of about 12.1% to the valuation in Appendix V in this circular, for details, please refer to the paragraph headed “Information on Double Wealthy Group and the Project” in this letter); (ii) the agreed value of the Inventories of RMB85,489,830 (equivalent to approximately HK\$102.6 million); (iii) the Construction Costs Reimbursement of not more than RMB99,760,418 (equivalent to approximately HK\$119.7 million); (iv) the Deferred Tax Amount of not more than RMB25,000,000 (equivalent to approximately HK\$30.0 million); and (v) Double Wealthy Completion NAV. According to the consolidated financial information of Double Wealthy Group as at 30 September 2020 and estimated adjustments made up to Completion, the estimated maximum amount of Double Wealthy Completion NAV will not be higher than approximately RMB105,541,231 (equivalent to approximately HK\$126.7 million), which will mainly represent the bank balances of the Panyu ProjectCo (after deducting its liabilities and provisions) as at Completion. The exact amount of the Consideration will be determined as at the date of Completion.

The Consideration will be satisfied in cash in Hong Kong by the Purchaser to the Vendor in the following manners:

- (a) upon signing of the SP Agreement A, the Deposit equivalent to RMB100 million (equivalent to approximately HK\$120.0 million);
- (b) approximately RMB1,339,273,479 (equivalent to approximately HK\$1,607.2 million) (subject to adjustments), being the Consideration less the Deposit, the Deferred Consideration and the Deferred Tax Amount, shall be paid on the date of Completion, upon which the entire Sale Loan will be fully assigned;
- (c) RMB99,868,000 (equivalent to approximately HK\$119.8 million), being the Deferred Consideration, shall be paid on the Business Day falling immediately after the expiry of 12 months from the date of Completion. During the 12-month following Completion, the Vendor shall fully pay the Seller’s Tax Liability and the Purchaser shall have the rights to set-off such outstanding unpaid tax from the Deferred Consideration for making payment to the relevant PRC tax authority; and
- (d) the Deferred Tax Amount to be settled as mentioned in “5. Deferred Tax Amount” below.

The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser after taking into account: (i) the prevailing selling prices of residential properties similar to the Phase 3 Project and the Inventories; (ii) the tax deductible vouchers of the Panyu ProjectCo based on its original land cost; (iii) the Construction Costs Reimbursement, being the agreed actual construction costs incurred and paid by the Panyu ProjectCo on the Phase 3 Project prior to Completion; (iv) in respect of the Deferred Tax Amount, the tax losses of the Panyu ProjectCo; and (v) Double Wealthy Completion NAV.

## LETTER FROM THE BOARD

### 5. Deferred Tax Amount

The Vendor represents, warrants and undertakes to the Purchaser that the tax losses of the Panyu ProjectCo as at the Completion will be at least RMB115 million (equivalent to approximately HK\$138.0 million). On the basis that these tax losses shall be available for utilization by the Panyu ProjectCo for 5 years in accordance with the PRC tax law, a tax credit value capped at RMB25 million (equivalent to approximately HK\$30.0 million), being the Deferred Tax Amount, shall be payable to the Vendor as follows:

- (i) if any part of the tax losses is utilized to set off against any taxable income, such amount of the utilized tax losses multiplied by 25% shall be paid by the Purchaser to the Vendor within ten Business Days of utilization as partial payment of the Deferred Tax Amount;
- (ii) if any part of the remaining tax losses is not utilized, the Deferred Tax Amount less the amount paid under (i) above shall be paid by the Purchaser to the Vendor within four years from the date of Completion after considering the timeframe for the disposal of the Inventories and Phase 3 Project development; and
- (iii) if within seven years after the last payment to the Vendor is made under (ii) above, it is assessed or determined by the relevant tax authority in the PRC that the tax losses are less than the amount on the basis of which the Deferred Tax Amount was determined and paid to the Vendor thereunder, the Vendor shall within ten Business Days pay to the Purchaser an amount that equals the shortfall multiplied by 25%.

### 6. Assets retained by the Vendor

The Vendor will retain, among others, the following: (i) Retained Villa and Retained Assets which will be transferred to a designated company of the Vendor prior to Completion; (ii) the Retained Carparks will either be transferred to a designated company of the Vendor upon Completion or to be sold to third parties after Completion and relevant sale proceeds received by Panyu ProjectCo will be transferred to the Vendor within 14 Business Days after receipt; and (iii) the Sold Villa will be transferred to the end buyer when the end buyer completes the sale and purchase on or before 31 December 2021 and relevant sale proceeds received by Panyu ProjectCo will be transferred to the Vendor within 14 Business Days after receipt. Pursuant to the SP Agreement A, if any sale of the Retained Carparks or transfer of the Sold Villa is to take place after Completion, the Purchaser shall provide assistances to execute and effect such transaction at the instruction and for the benefit of the Vendor. The Vendor will closely monitor the status of the Retained Carparks and the Sold Villa and will also maintain close communication with the Purchaser. Taking into account the estimated aggregate amount involved in respect of the Retained Carparks and the Sold Villa is only about RMB7.5 million, the Board is of the opinion that the guarantee provided by the Purchaser's Guarantor under the SP Agreement A is a sufficient safeguard of the interest of the Group.

## LETTER FROM THE BOARD

### 7. Conditions precedent

Completion is conditional upon the following conditions being satisfied (and/or waived):

- (a) the transactions as contemplated under the SP Agreement A having been approved by the Shareholders and Chuang's Consortium Shareholders in accordance with the Listing Rules; and
- (b) there being no Material Adverse Effect up to the date of Completion.

The Purchaser may waive the condition precedent referred to in paragraph (b) above at any time before the Longstop Date by notice in writing to the Vendor. Save as aforesaid, none of the other conditions precedent above is capable of being waived.

If the conditions precedent of the SP Agreement A are not fulfilled on or before the Longstop Date, the rights and obligations of the parties under the SP Agreement A shall lapse and be of no further effect, and the Deposit (together with any interest accrued) will be refunded to the Purchaser.

Profit Stability Investments Limited ("**Profit Stability**"), a direct wholly-owned subsidiary of Chuang's Consortium, has irrevocably undertaken that it will vote in favour of the resolution(s) to be proposed at the SGM to approve the SP Agreement A and the transactions contemplated thereunder. As at the Latest Practicable Date, Profit Stability owns approximately 60.71% interest in the Company.

Evergain Holdings Limited ("**EHL**"), the controlling shareholder of Chuang's Consortium, has irrevocably undertaken that it will vote in favour of the resolution(s) to be proposed at the Chuang's Consortium SGM to approve the SP Agreement A and the transactions contemplated thereunder. As at the Latest Practicable Date, EHL owns approximately 53.54% interest in Chuang's Consortium.

As at the Latest Practicable Date, none of the conditions set forth above has been fulfilled or waived.

### 8. Other terms of SP Agreement A

In determining the Consideration, the Vendor has taken into account the Seller's Tax Liability relating to the PRC Bulletin 7 tax insofar that the Seller's Tax Liability is the normal transaction costs payable by seller under the PRC law for disposal of foreign-owned PRC entity. Prior to Completion, the Vendor shall obtain tax assessment in the PRC regarding the Seller's Tax Liability. In the event the Vendor is not satisfied with the assessment of the Seller's Tax Liability by the relevant tax authorities and decide not to accept such assessed amount, the Vendor shall notify the Purchaser of the Vendor's decision to terminate the SP Agreement A ("**Vendor's Notice**"). The Vendor's right of termination shall lapse if the Purchaser informs the Vendor of the Purchaser's decision to be responsible for the payment of an amount of the Seller's Tax Liability in excess of RMB200 million ("**Purchaser's Notice**"). In the event the Purchaser does not issue the Purchaser's Notice within 7 Business Days upon

## LETTER FROM THE BOARD

receipt of the Vendor's Notice, the rights and obligations of the parties under the SP Agreement A shall lapse and be of no further effect, and the Deposit (together with any interest accrued) will be refunded to the Purchaser.

### 9. Completion

Completion shall take place in Hong Kong on a day no later than the tenth Business Day after the latest of (i) the date of the satisfaction and/or waiver of the conditions precedent; and (ii) the date in accordance with the SP Agreement A for the Vendor informing the Purchaser of the satisfaction of the Seller's Tax Liability or the waiver by the Vendor; or (iii) the date of the Purchaser's Notice; provided that the date of Completion shall not be later than 18 October 2021, unless the Longstop Date is extended by the Purchaser or unless otherwise extended by mutual agreement between the Vendor and the Purchaser in writing.

### THE SP AGREEMENT B

#### 1. Date

9 February 2021 (after trading hours)

#### 2. Parties

The PRC Vendor: Guangzhou Heng Yang Investment Services Limited<sup>#</sup>  
(廣州恒陽投資諮詢服務有限公司)

The PRC Purchaser 1: First Sponsor (Guangdong) Group Limited<sup>#</sup>  
(首鑄(廣東)集團有限公司)

The PRC Purchaser 2: Shoucheng (Dongguan) Real Estate Co., Ltd.<sup>#</sup>  
(首誠(東莞)房地產有限公司)

#### 3. Asset to be disposed of

Pursuant to the SP Agreement B, the asset to be disposed of by the PRC Vendor to the PRC Purchaser 1 and the PRC Purchaser 2 represents 95% and 5% of the PRC Sale Shares respectively.

The PRC Vendor has conditionally agreed to sell the PRC Sale Shares to the PRC Purchaser Group free from encumbrances but together with all rights attached, accrued or accruing thereto as at the date of completion and together with all dividends and distributions declared, made or paid or agreed to be made or paid thereon or in respect thereof on or after the date of completion.

#### 4. Consideration

The PRC Consideration to be received by the PRC Vendor from the PRC Purchaser Group is estimated to be not more than approximately RMB10.5 million (equivalent to approximately HK\$12.6 million) (subject to adjustments), which shall be the aggregate of (i) the agreed value

<sup>#</sup> English translation only

## LETTER FROM THE BOARD

of the Crystal Clubhouse of RMB9,573,705 (equivalent to approximately HK\$11.5 million); and (ii) Kai Xiang Completion NAV. According to the financial information of Kai Xiang as at 30 September 2020 and estimated adjustments made up to completion, the estimated maximum amount of Kai Xiang Completion NAV will not be higher than approximately RMB926,295 (equivalent to approximately HK\$1.1 million), which will mainly represent the bank balances of Kai Xiang (after deducting its liabilities and provisions) as at completion of SP Agreement B. The exact amount of the PRC Consideration will be determined as at the date of completion.

The PRC Consideration will be satisfied in cash in the PRC by the PRC Purchaser Group to the PRC Vendor on the date of Completion.

The PRC Consideration was arrived at after arm's length negotiations between the PRC Vendor and the PRC Purchaser Group with reference to (i) the market value of the Crystal Clubhouse after taking into account market prices of similar properties in nearby area; and (ii) Kai Xiang Completion NAV.

### **5. Conditions precedent**

Completion of the SP Agreement B is conditional upon the following conditions being satisfied:

- (a) the transactions as contemplated under the SP Agreement B having been approved by the Shareholders and Chuang's Consortium Shareholders in accordance with the Listing Rules; and
- (b) Completion of the SP Agreement A.

None of the conditions precedent above is capable of being waived. If the conditions precedent of the SP Agreement B are not fulfilled on or before the Longstop Date, the rights and obligations of the parties under the SP Agreement B shall lapse and be of no further effect.

As the only core asset owned by Kai Xiang is the Crystal Clubhouse at Phase 1 of the Project, it is the intention of the parties that if the disposal of the SP Agreement A is not proceeded to completion, the SP Agreement B would also not be completed. Accordingly, in the event the SP Agreement A is terminated in accordance with its terms, the SP Agreement B will be terminated simultaneously.

As at the Latest Practicable Date, none of the conditions set forth above has been fulfilled.

### **6. Completion**

Upon the satisfaction of the conditions precedent stated above and the PRC Consideration is received by the PRC Vendor, the PRC Vendor and the PRC Purchaser Group will apply for the change of business license of Kai Xiang. Completion of the SP Agreement B will take place on or before the fifth Business Day following the completion of the change of the business license of Kai Xiang.



## LETTER FROM THE BOARD

### INFORMATION ON DOUBLE WEALTHY GROUP, THE PROJECT AND KAI XIANG

#### Information on Double Wealthy Group and the Project

Double Wealthy is incorporated in Hong Kong and is directly wholly-owned by the Vendor. The Panyu ProjectCo, a wholly-owned subsidiary of Double Wealthy, is the owner of the land use rights of the Project in Panyu District at Guangzhou, the PRC, which is an integrated residential and commercial property development. Panyu ProjectCo has completed the development of Phase 1 and Phase 2 of the Project (comprising 34 high-rise residential towers with a total of 2,077 flats and 22 villas, commercial properties, clubhouses and 1,497 car parking spaces) with aggregate GFA of approximately 260,800 sq. m.. Save for the Inventories, the Retained Villa and the Retained Carparks, all the properties of Phase 1 and Phase 2 have been sold.

Phase 3 Project has a site area of about 95,771 sq. m., its total GFA is 175,011 sq. m. and saleable GFA is about 162,958.64 sq. m.. Panyu ProjectCo has commenced the development of the Phase 3 Project, and has completed the foundation works and basement for residential buildings (total GFA of about 79,813 sq. m.) together with kindergarten and public utilities (total GFA of about 5,775 sq. m.). Recently the Panyu ProjectCo was being informed in the capacity as a third party that certain owners of the neighbourhood buildings have lodged an administrative claim against the Guangzhou Municipal Planning and Natural Resources Bureau relating to the approval given by the aforesaid planning bureau for the location of certain public utilities (rubbish collection, public lavatories and urban gas supply station) built on the site of Panyu ProjectCo which these claimants are discontented with. The Group will monitor this matter between the claimants and the aforesaid planning bureau. Superstructure works of the kindergarten have also been completed.

At Completion, the principal assets of Double Wealthy Group are (i) the Phase 3 Project and (ii) the Inventories, comprising the 15 unsold villas with total GFA of about 4,764 sq. m., the 368 unsold car parking spaces and a commercial unit with total GFA of about 821 sq. m.. The Inventories are currently vacant.

A summary of the unaudited consolidated financial information of Double Wealthy Group for the two years ended 31 March 2020 and the six months ended 30 September 2020 is set out below:

	<b>For the years ended</b>		<b>For the six</b>
	<b>31 March</b>	<b>31 March</b>	<b>months ended</b>
	<b>2019</b>	<b>2020</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	73,330	38,100	4,273
Profit/(loss) before taxation	23,071	(46,041)	(22,469)
Loss after taxation	(2,972)	(52,226)	(23,735)

## LETTER FROM THE BOARD

The consolidated net asset value of Double Wealthy Group (excluding the amount due to the Vendor of approximately HK\$89.8 million) as at 30 September 2020 was approximately HK\$465.0 million. The valuation of the Phase 3 Project as appraised by Colliers, an independent valuer, based on residual method as at 31 January 2021 is RMB1,419.4 million (equivalent to approximately HK\$1,703.3 million) on the basis of excluding the construction cost incurred of RMB90,587,000 (as set out in note 5 on page V-9 of Appendix V in this circular). The valuation report is shown in Appendix V in this circular. However, the valuation has not taken into account the potential land appreciation tax. As the transactions contemplated under the SP Agreement A comprise the sale of Sale Shares instead of the sale of Phase 3 Project, the Purchaser will not be provided with taxable vouchers for the agreed value of the Phase 3 Project. Instead the low original land cost recorded in the books of Panyu ProjectCo will be used for land appreciation tax assessment after Completion. Accordingly, there will be extra land appreciation tax amounting to approximately RMB720 million to be borne by Panyu ProjectCo when it launches the completed properties for sale in future, which is calculated based on the difference between the agreed value of the Phase 3 Project and the low original land cost recorded in the books of Panyu ProjectCo, and such factor has been considered in arriving at the agreed value of the Phase 3 Project of RMB1,248,350,000. Accordingly, the Board considered that the discount of about 12.1% (which amounts to approximately RMB171 million) of the agreed value of the Phase 3 Project to the valuation, which was arrived at based on arm's length negotiation between the Vendor and the Purchaser, is fair and reasonable because Panyu ProjectCo shall pay the aforesaid extra land appreciation tax of approximately RMB720 million as a result of the substantial land appreciation tax rate of about 60% applicable in the PRC, on the basis that with reference to the prevailing selling prices of properties in the locality and the low original carrying cost of Phase 3 Project.

The valuation of the Inventories as appraised by Colliers, an independent valuer, as at 31 January 2021 is RMB159.1 million (equivalent to approximately HK\$190.9 million). The valuation report is shown in Appendix V in this circular. The agreed value of Inventories of RMB85,489,830 (equivalent to approximately HK\$102.6 million) was arrived at based on the net cash receivables after deducting the relevant PRC taxes applicable to the sale of the Inventories of about 28% and the bulk discount of about 25% for the one-off sale of the Inventories which are slow-moving stocks. The Board considered that the difference between the valuation and the agreed value of the Inventories is reasonable and represented the taxes payable for sale of such Inventories in the PRC at bulk discount. In considering the bulk discount of 25% for the Inventories to be disposed in the one-off basis, the Vendor has taken into account that the Inventories were launched for sale by Panyu ProjectCo since 2012 but the progress was very slow. Based on such sales progress in the past, it may take five years or even longer for the entire disposal of the Inventories on a piecemeal basis. Therefore, the Company considered that the bulk discount of 25%, which was arrived at based on arm's length negotiation between the Vendor and the Purchaser, is fair and reasonable in view that it is to the benefit of the Group to obtain immediate cash inflow upon disposal of the Inventories pursuant to the SP Agreement A.

## LETTER FROM THE BOARD

### Information of Kai Xiang

Kai Xiang is incorporated in the PRC and is a direct wholly-owned subsidiary of the PRC Vendor. Kai Xiang is principally engaged in property management and investment and its assets comprise the Crystal Clubhouse. The Crystal Clubhouse is located within Phase 1 of the Project having a GFA of approximately 809 sq. m. and is currently leased to an independent third party at a monthly rental of RMB27,600 (equivalent to approximately HK\$33,120) with tenancy expiring in March 2027.

A summary of the unaudited financial information of Kai Xiang for the two years ended 31 March 2020 and the six months ended 30 September 2020 is set out below:

	<b>For the years ended</b>		<b>For the six</b>
	<b>31 March</b>	<b>31 March</b>	<b>months ended</b>
	<b>2019</b>	<b>2020</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i>
			<i>HK\$'000</i>
Revenues	—	227	188
(Loss)/profit before taxation	(562)	(1,212)	170
(Loss)/profit after taxation	(943)	(876)	170

The net asset value of Kai Xiang as at 30 September 2020 was approximately HK\$9.8 million. The valuation of the Crystal Clubhouse as appraised by Colliers, an independent valuer, as at 31 January 2021 is RMB9.6 million (equivalent to approximately HK\$11.5 million), which is approximate to the agreed value of the Crystal Clubhouse under the SP Agreement B. The valuation report is shown in Appendix V in this circular.

### INFORMATION ON THE VENDOR, THE PRC VENDOR AND THE GROUP

The Vendor is a company incorporated in Bermuda with limited liability and is a direct wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

The PRC Vendor is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The PRC Vendor is principally engaged in investment holding.

The Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, sales of goods and merchandises (including art pieces), and securities investment and trading. As at the Latest Practicable Date, the Company is a non-wholly-owned subsidiary of, and owned as to approximately 60.71% by, the Chuang's Consortium Group.

## LETTER FROM THE BOARD

### INFORMATION ON THE PURCHASER, THE PURCHASER'S GUARANTOR AND THE PRC PURCHASER GROUP

The Purchaser is incorporated in the British Virgin Islands with limited liability. The Purchaser's Guarantor is incorporated in the Cayman Islands with limited liability and its shares are listed on the Singapore Exchange Securities Trading Limited. As at the date of the SP Agreement A, the Purchaser is a wholly-owned subsidiary of the Purchaser's Guarantor.

The PRC Purchaser Group is incorporated in the PRC with limited liability. As at the date of the SP Agreement B, the PRC Purchaser 1 is a wholly-owned subsidiary of the Purchaser's Guarantor and the PRC Purchaser 2 is wholly-owned by Mr. Shu Zhen. Mr. Shu Zhen is the chief executive officer of the Guangdong operations of the Purchaser's Guarantor group.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser, the Purchaser's Guarantor, the PRC Purchaser Group and their ultimate beneficial owners are third parties independent of the Company and its respective connected persons (as defined in the Listing Rules); (ii) the Purchaser and the PRC Purchaser Group are principally engaged in investment holding; and (iii) the Purchaser's Guarantor is principally engaged in investment holding and the Purchaser's Guarantor group is principally engaged in property development and sales, property investment, hotel ownership and operations and provision of property financing services.

### REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group, through Double Wealthy Group, owns an integrated residential and commercial community and its development is implemented by phases. Development of Phase 1 and 2, having a total GFA of approximately 260,800 sq. m., has been completed. It comprises 34 high-rise residential towers with a total of 2,077 flats and 22 villas, commercial properties, clubhouses and 1,497 car parking spaces. As at the Latest Practicable Date, substantially all of the residential flats of Phase 1 and Phase 2 have been sold. The remaining properties of Phase 1 and Phase 2 are the Inventories, the Crystal Clubhouse, the Retained Villa and the Retained Carparks.

Phase 3 Project comprises a site of about 95,771 sq. m. and its saleable GFA is about 162,958.64 sq. m.. The Group has commenced the development of Phase 3 Project by stages, and about 85,588 sq. m. are under construction.

As set out in the interim report of the Company for the period ended 30 September 2020, the Group will explore options for disposal of Double Wealthy Group in order to accelerate capital return on investment in the Project. Based on the total estimated amount of the Consideration and the PRC Consideration of approximately RMB1,574.6 million (equivalent to approximately HK\$1,889.6 million), the Group is expected to record an estimated net gain from the disposals of approximately HK\$1,078.7 million as detailed in "Financial effects of the disposals" below, and the net cash proceeds for the disposals are estimated to be approximately RMB1,328.6 million (equivalent to approximately HK\$1,594.3 million).

## LETTER FROM THE BOARD

In light of the uncertainties in the global economy in face of lock-down measures to combat Covid-19, the Board considers that the disposals represent a valuable opportunity for the Group to accelerate the return of this investment in the Project at a considerable profit and also to generate substantial cash inflow upon Completion. Based on the above, the Board is of the view that the terms of the SP Agreement A and the SP Agreement B are on normal commercial terms, fair and reasonable and the disposals are in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE DISPOSALS

#### Earnings

Based on the total estimated amount of the Consideration and the PRC Consideration in aggregate of approximately RMB1,574.6 million (equivalent to approximately HK\$1,889.6 million) (subject to adjustments) and the aggregate consolidated net asset value of Double Wealthy Group (excluding the amount due to the Vendor which is the Sale Loan as at Completion) and Kai Xiang as at 30 September 2020 of approximately HK\$474.8 million (and taken into account the transactions from 30 September 2020 up to the date of the SP Agreement A and the SP Agreement B), the Group is expected to record an estimated net gain from the disposals of approximately HK\$1,078.7 million. Such net gain has been taken into account the effect of the Retained Assets, the Retained Villa and the Retained Carparks by the Group, the estimated expenses in relation to the disposals (including stamp duty, applicable taxes in the PRC, staff pension of Double Wealthy Group and Kai Xiang, and professional fees) of approximately HK\$156.4 million, the estimated income from the realization of exchange reserves of approximately HK\$46.9 million, and the estimated income from the reversal of deferred taxation liabilities of approximately HK\$67.0 million. However, the actual amount of net gain from the disposals can only be determined at Completion.

For the year ended 31 March 2020, the Group recorded an audited loss for the year of approximately HK\$189.9 million. Based on the “Unaudited Pro Forma Financial Information of the Remaining Group” as set out in Appendix IV to this circular, assuming both of the completion of the SP Agreement A and the SP Agreement B had taken place on 1 April 2019, the unaudited pro forma consolidated profit of the Remaining Group for the year ended 31 March 2020 would be approximately HK\$892.8 million.

#### Assets and liabilities

Upon Completion, Double Wealthy Group and Kai Xiang will cease to be subsidiaries of the Company and the financial results and the assets and liabilities of Double Wealthy Group (except for those arising from the Retained Assets, the Retained Villa, the Retained Carparks and the Sold Villa) and Kai Xiang will cease to be consolidated into the consolidated financial statements of the Group.

According to the interim report of the Company for the six months ended 30 September 2020, the unaudited consolidated total assets and total liabilities of the Group as at 30 September 2020 were approximately HK\$7,103.8 million and HK\$2,646.1 million respectively. Based on the “Unaudited Pro Forma Financial Information of the Remaining Group” as set out in Appendix IV to this circular, assuming both of the completion of the SP Agreement A and

## LETTER FROM THE BOARD

the SP Agreement B had taken place on 30 September 2020, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group as at 30 September 2020 would be approximately HK\$7,977.2 million and HK\$2,482.9 million respectively.

### General

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among other things, the actual costs and expenses associated with the disposals, and is subject to audit.

### USE OF PROCEEDS

Based on the total estimated amount of the Consideration and the PRC Consideration in aggregate of approximately RMB1,574.6 million (equivalent to approximately HK\$1,889.6 million) (subject to adjustments), the net cash proceeds for the disposals are estimated to be approximately RMB1,328.6 million (equivalent to approximately HK\$1,594.3 million). As disclosed in the interim report of the Company for the six months ended 30 September 2020, the Group will continue to identify opportunities not only in Hong Kong but also with focus on cities along the Guangdong-Hong Kong-Macao Greater Bay Area and Belt and Road Initiative. The proceeds from the disposals of the Double Wealthy Group and Kai Xiang will replenish the working capital of the Group for potential investments as and when opportunities arise, which in turn will allow the Group to expand its sources of revenue, enhance its profitability, and maximize return for its shareholders.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Vendor and the PRC Vendor are wholly-owned subsidiaries of the Group and the Company is an indirect non-wholly-owned subsidiary of, and owned as to approximately 60.71% by, the Chuang's Consortium Group.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the disposals is above 75% for the Company, the disposals in aggregate, constitute a very substantial disposal of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the disposals and therefore, no Shareholders will be required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the disposals contemplated under the SP Agreement A and the SP Agreement B.

Profit Stability, a direct wholly-owned subsidiary of Chuang's Consortium, has irrevocably undertaken that it will vote in favour of the resolution(s) to be proposed at the SGM to approve the SP Agreement A and the transactions contemplated thereunder. As at the Latest Practicable Date, Profit Stability owns approximately 60.71% interest in the Company.

## LETTER FROM THE BOARD

### The SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at 7th Floor, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Tuesday, 13 April 2021 at 11:30 a.m. at which ordinary resolutions will be proposed for the purpose of considering, and, if thought fit, to approve, among other matters, the disposals contemplated thereunder the SP Agreement A and the SP Agreement B.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 8 April 2021 to Tuesday, 13 April 2021, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the SGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 April 2021.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions will be voted on by way of poll at the SGM and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

The Board believes that the disposals contemplated under the SP Agreement A and the SP Agreement B are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions in relation to the disposals contemplated under to SP Agreement A and the SP Agreement B to be proposed in the SGM.

### ADDITIONAL INFORMATION

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

By order of the Board of  
**Chuang's China Investments Limited**  
**Albert Chuang Ka Pun**  
*Chairman*

## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020 are disclosed in the annual reports and interim report of the Company for the financial years ended 31 March 2018 (pages 98 to 193), 31 March 2019 (pages 100 to 195), 31 March 2020 (pages 106 to 197) and the six months ended 30 September 2020 (pages 34 to 56), respectively, and are incorporated by reference into this circular.

The said annual reports and interim report of the Company are available on the Company's website at [www.chuang-s-china.com](http://www.chuang-s-china.com) and website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) through the links below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0723/ltn20180723273.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725409.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700481.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100378.pdf>

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding indebtedness of approximately HK\$1,784.9 million, comprising bank borrowings of approximately HK\$1,726.7 million of which approximately HK\$552.5 million was secured by fixed charges on certain assets of the Group (including investment properties, properties for sale and financial assets at fair value through profit or loss) and approximately HK\$1,174.2 million was unsecured but guaranteed by the Company and Chuang's Consortium, and unsecured borrowings from non-controlling shareholders of approximately HK\$58.2 million.

As at 31 January 2021, the Group provided guarantees of approximately HK\$16.0 million to banks for mortgage loans made by the banks to the purchasers of properties sold by the Group in the PRC.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 January 2021, the Group did not have any other debt securities issued and outstanding or authorized or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchase commitments, guarantees or other material contingent liabilities.



### 3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2020 (being the date which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

### 4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the existing borrowings, the current available facilities and the effects of the disposals contemplated under the SP Agreement A and the SP Agreement B, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

### 5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

With the rollout of the Covid-19 vaccine, economic outlook in the PRC and Hong Kong will gradually improve. The portfolio of major investment properties of the Remaining Group is as follows:

1. In Anshan, Chuang's Mid-town consists of a 6-level commercial podium providing an aggregate GFA of about 29,600 sq. m.. Above the podium stands a twin tower (Block AB and C) with 27 and 33-storey respectively, offering a total GFA of about 62,700 sq. m.. Occupation permit has been obtained and leasing of this property is in progress.
2. The hotel building and 30 villas in Xiamen are held by a 59.5% joint venture of the Remaining Group. Due to the difficult operating environment of the tourism industry in Xiamen as a result of Covid-19, the tenant of the 21 villas has failed to pay rents since the last quarter of 2019. The Remaining Group has terminated the tenancy in view of the continuous default and has obtained repossession of the 21 fully furnished villas from the tenant as the settlement arrangement. The Remaining Group will commence on marketing for leasing of these 21 furnished villas.
3. In Dongguan, the Remaining Group owns a site area of about 20,000 sq. m. in the city centre of Changan, on which an industrial building with GFA of about 39,081 sq. m. was erected. The property is currently leased to an independent third party until 2023. With the rezoning of this site to "residential usage", and the location of this property in Changan is strategical to benefit from the Guangdong-Hong Kong-Macao Greater Bay Area. The Remaining Group will closely monitor the requisite procedures and strategize on the optimal timing for the usage conversion application of the site.

4. A 4-storey commercial building in Shatian, Dongguan has a total GFA of about 4,167 sq.m. and is for commercial, retail and office usage. One storey was already leased out for office use and marketing is in progress for leasing of the remaining units of the property.
5. Wisma Chuang, located in Kuala Lumpur, Malaysia, is a 29-storey high rise office building having retail and office spaces and is leased to multi tenants with an occupancy rate of approximately 70%. Lobby renovation work and certain building maintenance work were completed. The Remaining Group will continue to review the tenant mix of this property, and consider further internal building upgrading work to further enhance its rental yield and occupancy rate.

Apart from the above investment properties, the Remaining Group will identify suitable opportunities to expand on investment properties portfolio to enhance its recurring and steady income.

As for the property development business of the Remaining Group, the portfolio of its development properties is as follows:

1. The Esplanade in Hong Kong comprises a two-storey commercial podium, a clubhouse, 47 carparking spaces and a 20-storey residential building with a total of 371 residential units. Substantially all of the residential units and 4 carparking spaces have been sold and handed-over to end-buyers. The Remaining Group will continue to market the remaining unsold residential units and unsold carparking spaces. As for the two-storey commercial podium with about 16 commercial units, 6 commercial units have been leased to independent third parties. The Remaining Group will continue to market the remaining units in order to generate rental income.
2. The site in Ap Lei Chau project in Hong Kong has an area of about 4,320 sq. ft. and has a developable GFA of about 40,000 sq. ft.. The general building plans have been approved to develop a 27-storey residential/commercial building with clubhouse facilities and retail units at the podium levels. Hoarding and demolition works are in progress.
3. Adjacent to Chuang's Mid-town, the Remaining Group owns the second site, Chuang's Plaza, which was acquired through government land auction. As certain area of the land title has not yet been rectified by the government authorities with the local railway corporation, the Remaining Group suffered a reduction in land area that was occupied by the local railway corporation. In view of the weak economic prospects of Anshan, the Remaining Group will assess the possibilities to sell-back this site to the local authorities, or other remedies acceptable to the Remaining Group.
4. Fortune Wealth Memorial Park of the Remaining Group operates a cemetery in Sihui and has full license for sale not only in the PRC, but also includes overseas Chinese as well as residents of Hong Kong, Macau and Taiwan. It shall continue to market its unsold 3,277 grave plots and 533 niches. Fortune Wealth will review its marketing and sales strategy and will take more proactive steps in its brand building and

customer services. As for the government notices pursuant to enquiries into idle land checking procedure, Fortune Wealth has replied to the authority and will closely liaise with the authority to report on the current development status.

Apart from property investment and development business, the Remaining Group continues to invest in securities, principally investing in high yield bonds with aggregate face value of approximately US\$139.9 million (equivalent to approximately HK\$1,084.2 million). The Remaining Group will closely monitor the performance of the bonds portfolio in light of the monetary environment and with reference to the Remaining Group's financial position.

As can be seen from analysis shown in the section headed "Reasons for and benefits of the disposals" in the letter from the Board, the net asset value and the financial position of the Remaining Group would be greatly enhanced following completion of the disposals contemplated under the SP Agreement A and the SP Agreement B, which is beneficial to the long-term development of the Remaining Group. Furthermore, the completion of the disposals would also facilitate the Remaining Group to look for new business opportunities, including, inter alia, land acquisitions and property investments, should opportunities arise.

## **FINANCIAL INFORMATION OF DOUBLE WEALTHY GROUP**

Set out below are the unaudited consolidated balance sheets of Double Wealthy Group as at 31 March 2018, 2019 and 2020 and 30 September 2020, and the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated cash flow statements of Double Wealthy Group for the years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2019 and 2020, and certain explanatory notes (the “**Financial Information**”). The Financial Information has been presented on the basis set out in note 1 to the Financial Information and is prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 March 2020 and the new accounting policies adopted by the Company as shown in its interim report for the six months ended 30 September 2020, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the disposal contemplated under the SP Agreement A (the “**Disposal**”). PricewaterhouseCoopers, the Company’s reporting accountant, was engaged to review the Financial Information of Double Wealthy Group set out on pages IIA-1 to IIA-11 of this circular in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unmodified review report.

**APPENDIX IIA FINANCIAL INFORMATION OF DOUBLE WEALTHY GROUP**

**1. Unaudited Consolidated Statements of Comprehensive Income**

	Note	For the year ended 31 March			For the six months ended 30 September	
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenues	2	19,704	73,330	38,100	9,949	4,273
Cost of sales		<u>(4,049)</u>	<u>(43,911)</u>	<u>(19,758)</u>	<u>(3,388)</u>	<u>(1,440)</u>
Gross profit		15,655	29,419	18,342	6,561	2,833
Other income and net gain/(loss)	3	686	144	(2,974)	422	(1,172)
Fair value gain on transfer of properties from properties for sale to investment properties	5	209,669	2,664	—	—	—
Selling and marketing expenses		(1,295)	(3,527)	(1,337)	(326)	(306)
Administrative and other operating expenses		(8,949)	(6,095)	(12,038)	(8,533)	(2,541)
Change in fair value of investment properties	4	<u>592</u>	<u>466</u>	<u>(48,034)</u>	<u>(563)</u>	<u>(21,283)</u>
Profit/(loss) before taxation		216,358	23,071	(46,041)	(2,439)	(22,469)
Taxation charge	6	<u>(59,902)</u>	<u>(26,043)</u>	<u>(6,185)</u>	<u>(3,495)</u>	<u>(1,266)</u>
Profit/(loss) for the year/period		156,456	(2,972)	(52,226)	(5,934)	(23,735)
Other comprehensive income:						
Item that may be reclassified subsequently to profit and loss:						
Net exchange differences		<u>23,460</u>	<u>(25,239)</u>	<u>(23,885)</u>	<u>(17,123)</u>	<u>12,542</u>
Total comprehensive income/(loss) for the year/period		<u>179,916</u>	<u>(28,211)</u>	<u>(76,111)</u>	<u>(23,057)</u>	<u>(11,193)</u>

**APPENDIX IIA FINANCIAL INFORMATION OF DOUBLE WEALTHY GROUP**

**2. Unaudited Consolidated Balance Sheets**

		As at 31 March		As at 30 September	
		2018	2019	2020	2020
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment		194	183	173	177
Investment properties	4	<u>326,592</u>	<u>318,934</u>	<u>228,733</u>	<u>197,434</u>
		<u>326,786</u>	<u>319,117</u>	<u>228,906</u>	<u>197,611</u>
<b>Current assets</b>					
Properties for sale	5	485,153	429,925	397,788	437,136
Debtors and prepayments		7,231	4,884	4,004	3,941
Cash and bank balances		<u>19,023</u>	<u>15,713</u>	<u>41,106</u>	<u>5,606</u>
		<u>511,407</u>	<u>450,522</u>	<u>442,898</u>	<u>446,683</u>
<b>Current liabilities</b>					
Creditors and accruals		41,989	20,147	21,001	19,211
Sales deposits received		2,476	1,123	9,548	5,656
Amount due to immediate holding company	7	9,826	33,011	16,634	89,811
Taxation payable		<u>186,470</u>	<u>149,111</u>	<u>153,865</u>	<u>76,883</u>
		<u>240,761</u>	<u>203,392</u>	<u>201,048</u>	<u>191,561</u>
Net current assets		<u>270,646</u>	<u>247,130</u>	<u>241,850</u>	<u>255,122</u>
Total assets less current liabilities		<u>597,432</u>	<u>566,247</u>	<u>470,756</u>	<u>452,733</u>
<b>Non-current liability</b>					
Deferred taxation liabilities	6	<u>106,688</u>	<u>103,714</u>	<u>84,334</u>	<u>77,504</u>
Net assets		<u>490,744</u>	<u>462,533</u>	<u>386,422</u>	<u>375,229</u>
<b>Equity</b>					
Share capital*		—	—	—	—
Reserves		<u>490,744</u>	<u>462,533</u>	<u>386,422</u>	<u>375,229</u>
		<u>490,744</u>	<u>462,533</u>	<u>386,422</u>	<u>375,229</u>

\* Below HK\$1,000

**3. Unaudited Consolidated Statements of Changes in Equity**

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	<u>—</u>	<u>149,495</u>	<u>161,333</u>	<u>310,828</u>
Profit for the year	—	—	156,456	156,456
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>23,460</u>	<u>—</u>	<u>23,460</u>
Total comprehensive income for the year	<u>—</u>	<u>23,460</u>	<u>156,456</u>	<u>179,916</u>
At 31 March 2018	<u>—</u>	<u>172,955</u>	<u>317,789</u>	<u>490,744</u>
Loss for the year	—	—	(2,972)	(2,972)
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>(25,239)</u>	<u>—</u>	<u>(25,239)</u>
Total comprehensive loss for the year	<u>—</u>	<u>(25,239)</u>	<u>(2,972)</u>	<u>(28,211)</u>
At 31 March 2019	<u>—</u>	<u>147,716</u>	<u>314,817</u>	<u>462,533</u>
Loss for the year	—	—	(52,226)	(52,226)
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>(23,885)</u>	<u>—</u>	<u>(23,885)</u>
Total comprehensive loss for the year	<u>—</u>	<u>(23,885)</u>	<u>(52,226)</u>	<u>(76,111)</u>
At 31 March 2020	<u>—</u>	<u>123,831</u>	<u>262,591</u>	<u>386,422</u>

<b>APPENDIX IIA</b>	<b>FINANCIAL INFORMATION OF DOUBLE WEALTHY GROUP</b>
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	<b>Share capital</b> <i>HK\$'000</i>	<b>Other reserves</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2020	<u>—</u>	<u>123,831</u>	<u>262,591</u>	<u>386,422</u>
Loss for the period	—	—	(23,735)	(23,735)
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>12,542</u>	<u>—</u>	<u>12,542</u>
Total comprehensive income/(loss) for the period	<u>—</u>	<u>12,542</u>	<u>(23,735)</u>	<u>(11,193)</u>
At 30 September 2020	<u>—</u>	<u>136,373</u>	<u>238,856</u>	<u>375,229</u>
At 1 April 2019	<u>—</u>	<u>147,716</u>	<u>314,817</u>	<u>462,533</u>
Loss for the period	—	—	(5,934)	(5,934)
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>(17,123)</u>	<u>—</u>	<u>(17,123)</u>
Total comprehensive loss for the period	<u>—</u>	<u>(17,123)</u>	<u>(5,934)</u>	<u>(23,057)</u>
At 30 September 2019	<u>—</u>	<u>130,593</u>	<u>308,883</u>	<u>439,476</u>



**APPENDIX IIA FINANCIAL INFORMATION OF DOUBLE WEALTHY GROUP**

**4. Unaudited Consolidated Cash Flow Statements**

	For the year ended 31 March			For the six months ended	
	2018	2019	2020	30 September	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>					
Profit/(loss) before taxation	216,358	23,071	(46,041)	(2,439)	(22,469)
Interest income from bank deposits	(62)	(90)	(47)	(22)	(23)
Net loss on disposal of investment properties	—	—	3,426	—	1,243
Gain on disposal of a subsidiary	(616)	—	—	—	—
Fair value gain on transfer of properties from properties for sale to investment properties	(209,669)	(2,664)	—	—	—
Change in fair value of investment properties	(592)	(466)	48,034	563	21,283
Depreciation of property, plant and equipment	<u>52</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>3</u>
Operating profit/(loss) before working capital changes	5,471	19,852	5,376	(1,897)	37
(Increase)/decrease in properties for sale	(26,498)	13,443	11,710	8,095	(28,862)
Decrease in debtors and prepayments	1,378	1,929	574	1,116	227
(Decrease)/increase in creditors and accruals	(34,205)	(19,403)	2,236	2,377	(2,615)
Increase/(decrease) in sales deposits received	<u>1,374</u>	<u>(1,210)</u>	<u>8,716</u>	<u>2,723</u>	<u>(4,190)</u>
Cash (used in)/from operations	(52,480)	14,611	28,612	12,414	(35,403)
Tax paid	<u>(1,807)</u>	<u>(49,987)</u>	<u>(4,681)</u>	<u>(2,991)</u>	<u>(92,503)</u>
Net cash (used in)/from operating activities	<u>(54,287)</u>	<u>(35,376)</u>	<u>23,931</u>	<u>9,423</u>	<u>(127,906)</u>

	For the year ended 31 March			For the six months ended	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from investing activities</b>					
Interest income received	62	90	47	22	23
Proceeds from disposal of investment properties	—	9,885	19,502	—	17,464
Proceeds from disposal of a subsidiary, net of cash and bank balances disposed of	<u>582</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash from investing activities	<u>644</u>	<u>9,975</u>	<u>19,549</u>	<u>22</u>	<u>17,487</u>
<b>Cash flows from a financing activity</b>					
Increase/(decrease) in amount due to immediate holding company	<u>47,086</u>	<u>23,185</u>	<u>(16,377)</u>	<u>55</u>	<u>73,177</u>
Net cash from/(used in) a financing activity	<u>47,086</u>	<u>23,185</u>	<u>(16,377)</u>	<u>55</u>	<u>73,177</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(6,557)	(2,216)	27,103	9,500	(37,242)
Cash and cash equivalents at the beginning of the year/period	23,480	19,023	15,713	15,713	41,106
Exchange differences on cash and cash equivalents	<u>2,100</u>	<u>(1,094)</u>	<u>(1,710)</u>	<u>(1,158)</u>	<u>1,742</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u><u>19,023</u></u>	<u><u>15,713</u></u>	<u><u>41,106</u></u>	<u><u>24,055</u></u>	<u><u>5,606</u></u>
<b>Analysis of cash and cash equivalents</b>					
Cash and bank balances	<u><u>19,023</u></u>	<u><u>15,713</u></u>	<u><u>41,106</u></u>	<u><u>24,055</u></u>	<u><u>5,606</u></u>

## 5. Notes to the Financial Information

### 1. BASIS OF PREPARATION

The Financial Information of Double Wealthy Group has been prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 March 2020 and the new accounting policies adopted by the Company as shown in its interim report for the six months ended 30 September 2020, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular.

The Financial Information has been prepared under the historical cost convention as modified by the revaluation of investment properties at fair value.

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The Financial Information is presented in Hong Kong dollars (HK\$).

The financial information relating to the years ended 31 March 2018, 2019 and 2020 included in this Financial Information does not constitute Double Wealthy Group’s statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As Double Wealthy is not a public company, it is not required to deliver its financial statements to the Registrar of Companies as required by section 622 and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (Cap. 622).

Double Wealthy’s auditor has reported on the stand alone financial statements of Double Wealthy for the years ended 31 March 2018, 2019 and 2020. No audited consolidated financial statements have been prepared as Double Wealthy has satisfied the exemption requirement set out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622) for the years ended 31 March 2018, 2019 and 2020. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

### 2. REVENUES

	<b>For the year ended 31 March</b>			<b>For the six months ended 30 September</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales of properties	17,713	71,468	37,018	9,358	3,948
Rental income and management fees	<u>1,991</u>	<u>1,862</u>	<u>1,082</u>	<u>591</u>	<u>325</u>
	<u><u>19,704</u></u>	<u><u>73,330</u></u>	<u><u>38,100</u></u>	<u><u>9,949</u></u>	<u><u>4,273</u></u>

**APPENDIX IIA FINANCIAL INFORMATION OF DOUBLE WEALTHY GROUP**

**3. OTHER INCOME AND NET GAIN/(LOSS)**

	For the year ended 31 March			For the six months ended 30 September	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from bank deposits	62	90	47	22	23
Gain on disposal of a subsidiary	616	—	—	—	—
Net loss on disposal of investment properties	—	—	(3,426)	—	(1,243)
Others	8	54	405	400	48
	<u>686</u>	<u>144</u>	<u>(2,974)</u>	<u>422</u>	<u>(1,172)</u>

**4. INVESTMENT PROPERTIES**

	For the year ended 31 March			For the six months ended
	2018	2019	2020	30 September 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	18,950	326,592	318,934	228,733
Changes in exchange rates	11,480	(18,732)	(19,239)	8,691
Transfer from properties for sale	295,570	20,493	—	—
Disposals	—	(9,885)	(22,928)	(18,707)
Change in fair value	592	466	(48,034)	(21,283)
	<u>326,592</u>	<u>318,934</u>	<u>228,733</u>	<u>197,434</u>

The valuation of investment properties is performed in accordance with the HKIS Valuation Standards 2017 Edition.

**(a) Valuation processes of Double Wealthy Group**

Double Wealthy Group's investment properties were revalued at 31 March 2018, 2019 and 2020 and 30 September 2019 and 2020 by an independent professional valuer who holds a recognized relevant professional qualification and has recent experience in the location and segments of the investment properties valued. The investment properties' current use equates to the highest and best use.

The Company's finance department and property department review the valuations performed by the independent valuer for financial reporting purposes and report directly to the senior management of Double Wealthy Group. Discussions of the valuation processes and results are held between the management and valuer at least once every six months. The finance department and property department:

- verify all major inputs to the independent valuation reports;
- assess property valuations movements when compared to the prior period valuation reports; and
- hold discussions with the independent valuer.

**(b) Valuation techniques**

Fair value of the investment properties is derived using the income capitalization method.

Income capitalization method is based on the capitalization of the net income and reversionary potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject property and other comparable properties.

There were no changes to the valuation techniques during the years ended 31 March 2018, 2019 and 2020 and six months ended 30 September 2019 and 2020.

**5. PROPERTIES FOR SALE**

	<b>As at 31 March</b>			<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties	79,872	51,001	33,651	33,178
Properties for/under development	405,281	378,924	364,137	403,958
	485,153	429,925	397,788	437,136

During the years ended 31 March 2018 and 2019, upon the change of intended use, Double Wealthy Group had transferred certain completed properties of HK\$85,901,000 and HK\$17,829,000 from properties for sale to investment properties at aggregate fair value of HK\$295,570,000 and HK\$20,493,000 respectively. Fair value gain on transfer of these properties of HK\$209,669,000 and HK\$2,664,000 and the related deferred taxation of HK\$52,417,000 and HK\$666,000 were recorded respectively.

**6. TAXATION**

Taxation represents the PRC corporate income tax, the PRC land appreciation tax and the deferred tax. PRC corporate income tax has been provided at the rate of 25% on the estimated assessable profits for the year/period. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development expenditures.

Deferred taxation liabilities were mainly arising from the date of acquisition of the Project and the revaluation of investment properties held by Double Wealthy Group.

As at 30 September 2020, deferred taxation assets of approximately HK\$23.0 million arising from unused tax credit of approximately HK\$95.5 million have not been recognized in the Financial Information as the utilization of related tax benefits through the future taxable profit is not probable.

**7. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY**

The amount due to immediate holding company was denominated in HK\$, unsecured, interest free and repayable on demand. Subsequent to 30 September 2020, the amount has a fixed repayment term to be repaid on 7 February 2023. According to the SP Agreement A, the amount due to immediate holding company represents the Sale Loan which will be fully assigned to the Purchaser upon Completion.

**8.      FINANCIAL GUARANTEES**

	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for mortgage loans to purchasers of properties of Double Wealthy Group in the PRC	<u>81,131</u>	<u>35,841</u>	<u>16,188</u>	<u>12,708</u>

The financial guarantees provided by Double Wealthy Group represented the guarantees in respect of mortgage loans made by certain banks to certain purchasers of Double Wealthy Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Double Wealthy Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and Double Wealthy Group is entitled to take over the legal title and possession of the related properties. Such guarantees will be terminated upon the earlier of (i) the issuance of the property ownership certificates which is generally available within six months to one year after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgage loans by the purchasers of properties. Since Double Wealthy Group is able to sell the properties to recover any amounts paid by Double Wealthy Group to the banks, the estimated net amounts required to be settled by Double Wealthy Group and the fair value of the financial guarantees as calculated are not material and hence not recognized in the Financial Information.

**FINANCIAL INFORMATION OF KAI XIANG**

Set out below are the unaudited balance sheets of Kai Xiang as at 31 March 2018, 2019 and 2020 and 30 September 2020, and the unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited cash flow statements of Kai Xiang for the years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2019 and 2020, and certain explanatory notes (the “**Financial Information**”). The Financial Information has been presented on the basis set out in note 1 to the Financial Information and is prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 March 2020 and the new accounting policies adopted by the Company as shown in its interim report for the six months ended 30 September 2020, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the disposal contemplated under the SP Agreement B (the “**Disposal**”). PricewaterhouseCoopers, the Company’s reporting accountant, was engaged to review the Financial Information of Kai Xiang set out on pages IIB-1 to IIB-9 of this circular in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unmodified review report.

## 1. Unaudited Statements of Comprehensive Income

	Note	For the year ended 31 March			For the six months ended 30 September	
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenues		111	—	227	64	188
Cost of sales		—	—	(68)	(4)	(11)
Gross profit		111	—	159	60	177
Other income and net gain		4	14	25	25	—
Administrative and other operating expenses		(73)	(1,066)	(54)	(42)	(7)
Change in fair value of an investment property	2	—	490	(1,342)	(1,352)	—
Profit/(loss) before taxation		42	(562)	(1,212)	(1,309)	170
Taxation (charge)/credit		—	(381)	336	338	—
Profit/(loss) for the year/period		42	(943)	(876)	(971)	170
Other comprehensive income:						
Item that may be reclassified subsequently to profit and loss:						
Net exchange differences		3	252	(683)	(604)	387
Total comprehensive income/(loss) for the year/period		45	(691)	(1,559)	(1,575)	557



## 2. Unaudited Balance Sheets

	Note	As at 31 March			As at
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	30 September 2020 HK\$'000
<b>Non-current asset</b>					
Investment property	2	—	10,390	8,397	8,753
<b>Current assets</b>					
Properties for sale		—	—	79	79
Debtors and prepayments		—	66	23	32
Amount due from immediate holding company	3	—	747	698	728
Cash and bank balances		260	124	122	334
		<u>260</u>	<u>937</u>	<u>922</u>	<u>1,173</u>
<b>Current liabilities</b>					
Creditors and accruals		10	161	69	113
Amount due to immediate holding company	3	191	—	—	—
		<u>201</u>	<u>161</u>	<u>69</u>	<u>113</u>
Net current assets		<u>59</u>	<u>776</u>	<u>853</u>	<u>1,060</u>
Total assets less current liabilities		<u>59</u>	<u>11,166</u>	<u>9,250</u>	<u>9,813</u>
<b>Non-current liability</b>					
Deferred taxation liabilities		—	381	24	30
Net assets		<u>59</u>	<u>10,785</u>	<u>9,226</u>	<u>9,783</u>
<b>Equity</b>					
Share capital	4	625	12,042	12,042	12,042
Reserves		(566)	(1,257)	(2,816)	(2,259)
		<u>59</u>	<u>10,785</u>	<u>9,226</u>	<u>9,783</u>

## 3. Unaudited Statements of Changes in Equity

	<i>Note</i>	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017		625	5	(616)	14
Profit for the year		—	—	42	42
Other comprehensive income:					
Net exchange differences		—	3	—	3
Total comprehensive income for the year		—	3	42	45
At 31 March 2018		625	8	(574)	59
Capital injection	4	11,417	—	—	11,417
Loss for the year		—	—	(943)	(943)
Other comprehensive income:					
Net exchange differences		—	252	—	252
Total comprehensive income/(loss) for the year		—	252	(943)	(691)
At 31 March 2019		12,042	260	(1,517)	10,785
Loss for the year		—	—	(876)	(876)
Other comprehensive income:					
Net exchange differences		—	(683)	—	(683)
Total comprehensive loss for the year		—	(683)	(876)	(1,559)
At 31 March 2020		12,042	(423)	(2,393)	9,226

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	<u>12,042</u>	<u>(423)</u>	<u>(2,393)</u>	<u>9,226</u>
Profit for the period	—	—	170	170
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>387</u>	<u>—</u>	<u>387</u>
Total comprehensive income for the period	<u>—</u>	<u>387</u>	<u>170</u>	<u>557</u>
At 30 September 2020	<u><u>12,042</u></u>	<u><u>(36)</u></u>	<u><u>(2,223)</u></u>	<u><u>9,783</u></u>
At 1 April 2019	<u>12,042</u>	<u>260</u>	<u>(1,517)</u>	<u>10,785</u>
Loss for the period	—	—	(971)	(971)
Other comprehensive income:				
Net exchange differences	<u>—</u>	<u>(604)</u>	<u>—</u>	<u>(604)</u>
Total comprehensive loss for the period	<u>—</u>	<u>(604)</u>	<u>(971)</u>	<u>(1,575)</u>
At 30 September 2019	<u><u>12,042</u></u>	<u><u>(344)</u></u>	<u><u>(2,488)</u></u>	<u><u>9,210</u></u>

## 4. Unaudited Cash Flow Statements

	Note	For the year ended 31 March			For the six months ended 30 September	
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>						
Profit/(loss) before taxation		42	(562)	(1,212)	(1,309)	170
Interest income from bank deposits		(1)	(3)	—	—	—
Change in fair value of an investment property		—	(490)	1,342	1,352	—
Operating profit/(loss) before working capital changes		41	(1,055)	130	43	170
Increase in properties for sale		—	—	(81)	(81)	—
(Increase)/decrease in debtors and prepayments		—	(66)	39	53	(8)
Increase/(decrease) in creditors and accruals		4	151	(83)	(57)	40
Net cash from/(used in) operating activities		45	(970)	5	(42)	202
<b>Cash flows from investing activities</b>						
Addition of an investment property		—	(9,885)	—	—	—
Interest income from bank deposits		1	3	—	—	—
Net cash from/(used in) investing activities		1	(9,882)	—	—	—
<b>Cash flows from financing activities</b>						
Capital injection	4	—	11,417	—	—	—
Increase/(decrease) in balance with immediate holding company	5	4	(925)	—	—	—
Net cash from financing activities		4	10,492	—	—	—
<b>Net increase/(decrease) in cash and cash equivalents</b>		50	(360)	5	(42)	202
Cash and cash equivalents at the beginning of the year/period		188	260	124	124	122
Exchange differences on cash and cash equivalents		22	224	(7)	(7)	10
<b>Cash and cash equivalents at the end of the year/period</b>		260	124	122	75	334
<b>Analysis of cash and cash equivalents</b>						
Cash and bank balances		260	124	122	75	334

## 5. Notes to the Financial Information

### 1. BASIS OF PREPARATION

The Financial Information of Kai Xiang has been prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 March 2020 and the new accounting policies adopted by the Company as shown in its interim report for the six months ended 30 September 2020, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular.

The Financial Information has been prepared under the historical cost convention as modified by the revaluation of an investment property at fair value.

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The Financial Information is presented in Hong Kong dollars (HK\$).

### 2. INVESTMENT PROPERTY

	For the year ended 31 March			For the six months ended 30 September
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	—	—	10,390	8,397
Change in exchange rates	—	15	(651)	356
Addition	—	9,885	—	—
Change in fair value	—	490	(1,342)	—
	<u>—</u>	<u>10,390</u>	<u>8,397</u>	<u>8,753</u>
At the end of the year/period	<u>—</u>	<u>10,390</u>	<u>8,397</u>	<u>8,753</u>

The valuation of an investment property is performed in accordance with the HKIS Valuation Standards 2017 Edition.

#### (a) Valuation processes of Kai Xiang

Kai Xiang’s investment property was revalued at 31 March 2019 and 2020 and 30 September 2019 and 2020 by an independent professional valuer who holds a recognized relevant professional qualification and has recent experience in the location and segment of the investment property valued. The investment property’s current use equates to the highest and best use.

The Company’s finance department and property department review the valuations performed by the independent valuer for financial reporting purposes and report directly to the senior management of Kai Xiang. Discussions of the valuation processes and results are held between the management and valuer at least once every six months. The finance department and property department:

- verify all major inputs to the independent valuation reports;
- assess property valuations movements when compared to the prior period valuation reports;  
and
- hold discussions with the independent valuer.

**(b) Valuation techniques**

Fair value of the investment property is derived using the income capitalization method.

Income capitalization method is based on the capitalization of the net income and reversionary potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject property and other comparable properties.

There were no changes to the valuation techniques during the years ended 31 March 2019 and 2020 and six months ended 30 September 2019 and 2020.

**3. AMOUNT DUE FROM/TO IMMEDIATE HOLDING COMPANY**

The amount due from/to immediate holding company is denominated in Renminbi, unsecured, interest free and receivable/repayable on demand. According to the SP Agreement B, the amount due from immediate holding company will be settled by the PRC Vendor before completion.

**4. SHARE CAPITAL**

During the year ended 31 March 2019, capital injection of RMB10,000,000 (equivalent to approximately HK\$11,417,000) was made by the PRC Vendor to Kai Xiang.

## 5. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<b>Amount due to/(from) immediate holding company HK\$'000</b>
At 1 April 2017	170
Cash inflows	182
Cash outflows	(178)
Non-cash changes:	
Exchange differences	<u>17</u>
At 31 March 2018	191
Cash outflows	(925)
Non-cash changes:	
Exchange differences	<u>(13)</u>
At 31 March 2019	(747)
Non-cash changes:	
Exchange differences	<u>49</u>
At 31 March 2020	(698)
Non-cash changes:	
Exchange differences	<u>(30)</u>
At 30 September 2020	<u><u>(728)</u></u>
At 1 April 2019	(747)
Non-cash changes:	
Exchange differences	<u>44</u>
At 30 September 2019	<u><u>(703)</u></u>

Following the disposals contemplated under the SP Agreement A and the SP Agreement B, the Remaining Group will continue to carry out its existing businesses. Set out below are the management discussion and analysis of the Remaining Group for each of the three financial years ended 31 March 2018, 2019 and 2020, and the six months ended 30 September 2020. The information set out below has also taken into account the disposal of a property holding company which held an investment property in the United Kingdom which was completed on 1 September 2020.

### SEGMENTAL INFORMATION

The Remaining Group had five business segments, namely property development, investment and trading, development and operation of cemetery, sales of goods and merchandises, securities investment and trading and others. A summary of the revenues and profit or loss of each business segment of the Remaining Group for the three years ended 31 March 2018, 2019 and 2020, and the six months ended 30 September 2020 is as follows:

31 March 2018	Property development, investment and trading <i>HK\$'000</i>	Cemetery <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenues	70,148*	16,038	2,211	44,754	—	133,151
Profit/(loss) for the year	61,738*	(5,310)	(128)	38,072	(99,337)	(4,965)

\* Revenues and profit/(loss) for the year as shown include the amounts arising from Phase 1 and Phase 2 of the Project which belonged to the Remaining Group.

For the year ended 31 March 2018, revenues of the Remaining Group was approximately HK\$133 million, which was mainly derived from sales of development properties in the PRC and the interest income from bond investments. During 2018, the Remaining Group recorded a slight loss for the year of approximately HK\$5 million.

31 March 2019	Property development, investment and trading <i>HK\$'000</i>	Cemetery <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenues	97,971*	14,383	—	42,877	—	155,231
Profit/(loss) for the year	173,489*	(2,173)	(246)	28,985	(118,361)	81,694

\* Revenues and profit/(loss) for the year as shown include the amounts arising from Phase 1 and Phase 2 of the Project which belonged to the Remaining Group.



For the year ended 31 March 2019, revenues of the Remaining Group increased by approximately 17% to HK\$155 million as compared to the previous year. The increase is mainly due to the increase in sales of development properties in the PRC. During 2019, the Remaining Group recorded a profit for the year of approximately HK\$82 million, as compared to the slight loss recorded in the previous year mainly due to the increase in fair value gain of investment properties recorded for 2019.

31 March 2020	Property development, investment and trading HK\$'000	Cemetery HK\$'000	Sales of goods and merchandises HK\$'000	Securities investment and trading HK\$'000	Others and corporate HK\$'000	Total HK\$'000
Revenues	69,172*	21,252	2,170	45,485	—	138,079
(Loss)/profit for the year	(10,338)*	4,919	21	(25,526)	(71,815)	(102,739)

\* Revenues and profit/(loss) for the year as shown include the amounts arising from Phase 1 and Phase 2 of the Project which belonged to the Remaining Group.

For the year ended 31 March 2020, revenues of the Remaining Group decreased by approximately 11% to HK\$138 million as compared to the previous year. The decrease is mainly due to decrease in sales of development properties in the PRC. During 2020, the Remaining Group recorded a loss for the year of approximately HK\$103 million as compared to the profit recorded for the previous year, mainly due to the decrease in fair value gain of investment properties and the significant increase in unrealized fair value loss of bond investments recorded for 2020.

30 September 2020	Property development, investment and trading HK\$'000	Cemetery HK\$'000	Sales of goods and merchandises HK\$'000	Securities investment and trading HK\$'000	Others and corporate HK\$'000	Total HK\$'000
Revenues	1,629,295*	11,319	—	27,440	—	1,668,054
Profit/(loss) for the period	388,251*	1,727	(164)	85,166	(45,342)	429,638

\* Revenues and profit/(loss) for the period as shown include the amounts arising from Phase 1 and Phase 2 of the Project which belonged to the Remaining Group.

For the six months ended 30 September 2020, revenues of the Remaining Group amounted to approximately HK\$1,668 million which was mainly derived from sales of development properties in Hong Kong. For the six months ended 30 September 2020, the Remaining Group recorded a profit for the period of approximately HK\$430 million mainly due to the recognition of completed sales and profit of the development properties in Hong Kong.

**Liquidity, financial resources and capital commitments**

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

	As at 31 March			As at
	2018	2019	2020	30 September 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Shareholders' funds of the Remaining Group	3,486	3,253	2,885	3,876
Bank borrowings of the Remaining Group	1,072	1,576	1,439	1,666
Bank borrowings of the Remaining Group denominated in:				
Hong Kong dollar	80%	91%	88%	79%
United States dollar	—	—	3%	13%
Renminbi	6%	—	—	—
Malaysian Ringgit	14%	9%	9%	8%

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

	As at 31 March			As at
	2018	2019	2020	30 September 2020
Within the first year	31%	50%	13%	47%
Within the second year	42%	7%	38%	8%
Within the third to fifth years	27%	43%	49%	39%
After the fifth year	—	—	—	6%
Effective interest rates of bank borrowings per annum	1.57% to 8.08%	2.68% to 5.10%	1.75% to 4.57%	1.18% to 4.44%

All the bank borrowings of the Remaining Group are at variable interest rates. The Remaining Group currently does not have any interest rate hedging policy in relation to such interest rate risk for the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020. The Remaining Group would monitor its exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

	As at 31 March			As at
	2018	2019	2020	30 September
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>2020</i>
				<i>HK\$ million</i>
Net current assets of the Remaining Group	2,092	1,657	1,647	2,428
Cash and bank balances and investments held for trading of the Remaining Group	1,169	1,548	1,374	2,052

Cash and bank balances and investments held for trading of the Remaining Group denominated in:

Hong Kong dollar, United States dollar and other currencies	91%	89%	89%	95%
Renminbi	9%	11%	11%	5%

As for the treasury policies, the objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Remaining Group generally finances its operations with internally generated resources and borrowings provided by banks. The Remaining Group endeavors to monitor its cash flow position, and to improve the cost-efficiency of funding initiatives by its treasury function.

As at 31 March 2018, 2019 and 2020 and 30 September 2020, capital commitments of the Remaining Group amounted to HK\$669 million, HK\$480 million, HK\$102 million and HK\$23 million, respectively. These capital commitments mainly related to property development expenditures for the Remaining Group's property projects.

For the years ended 31 March 2018, 2019 and 2020 and the six months period ended 30 September 2020, the Company had repurchased approximately 18.3 million Shares, Nil Shares, Nil Shares and Nil Shares, respectively on the Stock Exchange with total amount of approximately HK\$11 million, HK\$Nil, HK\$Nil and HK\$Nil, respectively. The repurchased Shares were cancelled after their repurchase.

**Significant investments, and material acquisitions and disposals of subsidiaries and associated companies**

On 7 December 2017, the Company entered into a sale and purchase agreement with Chuang's Consortium to acquire the entire equity interests in the companies that hold an investment property in Malaysia at a net consideration of approximately MYR92 million. Details of the transaction were set out in the announcement and circular of the Company dated 7 December 2017 and 11 January 2018 respectively.

On 30 April 2020, an indirect wholly-owned subsidiary of the Remaining Group entered into a sale and purchase agreement with an independent third party to dispose of a property holding company which held an investment property in the United Kingdom at a consideration of about GBP93.8 million. Details of the transaction were set out in the announcement and circular of the Company on 3 May 2020 and 3 June 2020 respectively.

During the three years ended 31 March 2020 and the six months ended 30 September 2020, the Remaining Group has a 59.5% owned joint venture investment in Xiamen, the PRC, namely Xiamen Mingjia. It comprises a 6-storey hotel building with 100 guest-rooms (gross area of about 9,780 sq. m.) and 30 villas (aggregate gross floor area of about 9,376 sq. m.). The hotel building and 30 villas are fully leased as at 30 September 2020. The total investment cost of the Remaining Group in this joint venture is about HK\$171 million as at 30 September 2020. The hotel building together with 3 villas are leased to Xiamen Mingjia Lujiang Hotel Limited (which is a subsidiary of the joint venture partner) and is operating as Mega Lujiang Hotel. The remaining 27 villas are leased to independent third parties, of which 21 villas is operated as Atour S Hotel. The rental and management fee income amounted to approximately RMB12.4 million, RMB25.7 million and RMB26.4 million for the three years ended 31 March 2020. For the six months ended 30 September 2020, rental and management fee income amounted to approximately RMB13.2 million.

For the year ended 31 March 2018, the Remaining Group held the following portfolio of high yield bonds with an annualized average yield of about 7%:

Stock code	Bond issuer	Face value of bonds held as at 31 March 2018 US\$'000	Market value as at 31 March 2018 HK\$'000	Percentage of market value to the	Fair value gain/(loss) for the year ended 31 March 2018 HK\$'000	Interest income for the year ended 31 March 2018 HK\$'000
				Remaining Group's total assets as at 31 March 2018		
813	Shimao Group Holdings Limited (8.375%, due 2022)	19,000	162,138	3.2%	(4,761)	12,428
1813	KWG Group Holding Limited (6%, due 2022)	5,000	39,012	0.8%	(1,556)	2,342
2007	Country Garden Holdings Company Limited			2.2%		
	(a) 5.625%, due 2026	14,000	113,084		(1,562)	6,140
	(b) 7.5%, due 2023	—	disposed		—	4,097
3333	China Evergrande Group			4.2%		
	(a) 7.5%, due 2023	10,743	84,420		579	3,148
	(b) 8.25%, due 2022	11,600	93,893		(4,260)	7,490
	(c) 8.75%, due 2025	4,714	37,919		1,130	1,612
	(d) 8.75%, due 2018	—	disposed		—	227
	(e) 12%, due 2020	—	disposed		—	4,806
3383	Agile Group Holdings Limited (5.125%, due 2022)	10,000	78,275	1.5%	(842)	1,970
N/A	Guangxi Financial Investment Group Co., Limited (5.75%, due 2021)	8,000	62,451	1.2%	(29)	—
N/A	Qinghai Provincial Investment Group Co., Limited (6.3%, due 2018)	2,000	15,705	0.3%	86	494
		<u>85,057</u>	<u>686,897</u>	<u>13.4%</u>	<u>(11,215)</u>	<u>44,754</u>

For the year ended 31 March 2019, the Remaining Group held the following portfolio of high yield bonds with an annualized average yield of about 7%:

Stock code	Bond issuer	Face value of bonds held as at 31 March 2019 <i>US\$'000</i>	Market value as at 31 March 2019 <i>HK\$'000</i>	Percentage of market value to the	Fair value gain/(loss) for the year ended 31 March 2019 <i>HK\$'000</i>	Interest income for the year ended 31 March 2019 <i>HK\$'000</i>
				Remaining Group's total assets as at 31 March 2019		
1638	Kaisa Group Holdings Limited (8.5%, due 2022)	4,400	32,775	0.5%	(583)	2,932
1813	KWG Group Holdings Limited (6%, due 2022)	5,000	39,579	0.7%	567	2,353
2007	Country Garden Holdings Company Limited (5.625%, due 2026)	14,000	111,096	1.9%	(1,987)	6,170
2777	Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (5.75%, due 2022)	1,000	7,769	0.1%	597	225
3333	China Evergrande Group			3.5%		
	(a) 7.5%, due 2023	10,743	81,303		(3,117)	6,316
	(b) 8.25%, due 2022	11,600	89,651		(4,241)	7,493
	(c) 8.75%, due 2025	4,714	35,845		(2,074)	3,233
3380	Logan Group Company Limited			0.8%		
	(a) 6.875%, due 2021	4,000	32,771		1,503	1,077
	(b) 8.75%, due 2020	2,000	16,827		(127)	—
3383	Agile Group Holdings Limited (5.125%, due 2022)	10,000	77,394	1.3%	(881)	4,021
600606	Greenland Global Investment Limited, a wholly-owned subsidiary of Greenland Holdings Corporation Limited (5.25%, due 2021)	4,300	33,635	0.6%	22	1,771

Stock code	Bond issuer	Face value of bonds held as at 31 March 2019 <i>US\$'000</i>	Market value as at 31 March 2019 <i>HK\$'000</i>	Percentage of market value to the	Fair value gain/(loss) for the year ended 31 March 2019 <i>HK\$'000</i>	Interest income for the year ended 31 March 2019 <i>HK\$'000</i>
				Remaining Group's total assets as at 31 March 2019		
N/A	Guangxi Financial Investment Group Co., Limited (5.75%, due 2021)	8,000	61,417	1.0%	(1,005)	3,578
	Bonds redeemed/disposed of during the year	—	—	—	—	3,708
		<u>79,757</u>	<u>620,062</u>	<u>10.4%</u>	<u>(11,326)</u>	<u>42,877</u>

For the year ended 31 March 2020, the Remaining Group held the following portfolio of high yield bonds with an annualized average yield of about 7%:

Stock code	Bond issuer	Face value of bonds held as at 31 March 2020 <i>US\$'000</i>	Market value as at 31 March 2020 <i>HK\$'000</i>	Percentage of market value to the	Fair value gain/(loss) for the year ended 31 March 2020 <i>HK\$'000</i>	Interest income for the year ended 31 March 2020 <i>HK\$'000</i>
				Remaining Group's total assets as at 31 March 2020		
754	Hopson Development Holdings Limited (7.5%, due 2022)	5,000	36,613	0.5%	625	881
813	Shimao Group Holdings Limited (6.375%, due 2021)	2,000	16,092	0.2%	1,021	—
884	CIFI Holdings (Group) Co. Ltd.			0.4%		
	(a) 6%, due 2025	1,500	10,513		(1,170)	—
	(b) 6.875%, due 2021	2,000	15,745		706	—

Stock code	Bond issuer	Face value	Market	Percentage	Fair value	Interest
		of bonds held as at 31 March 2020	value as at 31 March 2020	of market value to the Remaining Group's total assets as at 31 March 2020	gain/(loss) for the year ended 31 March 2020	income for the year ended 31 March 2020
		US\$'000	HK\$'000		HK\$'000	HK\$'000
1233	Times China Holdings Limited (5.75%, due 2022)	2,000	14,724	0.2%	(720)	451
1238	Powerlong Real Estate Holdings Limited			0.2%		
	(a) 6.95%, due 2021	2,000	15,067		584	—
	(b) 7.125%, due 2022	200	1,450		(110)	—
1638	Kaisa Group Holdings Ltd.			1.4%		
	(a) 7.25%, due 2020	4,000	31,044		(808)	2,272
	(b) 7.875%, due 2021	2,000	14,282		(1,237)	1,234
	(c) 8.5%, due 2022	4,400	29,028		(3,747)	2,930
	(d) 11.25%, due 2022	3,000	22,008		(2,460)	1,324
1813	KWG Group Holdings Limited			0.8%		
	(a) 6%, due 2022	5,000	37,157		(2,422)	2,346
	(b) 7.4%, due 2024	2,000	14,199		(1,271)	694
2007	Country Garden Holdings Company Limited (5.625%, due 2026)	14,000	109,932	1.7%	(1,164)	6,170
2777	Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (5.75%, due 2022)	1,000	7,025	0.1%	(744)	450
3333	China Evergrande Group			2.5%		
	(a) 7.5%, due 2023	10,743	61,541		(19,762)	6,312
	(b) 8.25%, due 2022	11,600	73,261		(16,390)	7,484
	(c) 8.75%, due 2025	4,714	26,748		(9,097)	3,231
3380	Logan Group Company Limited			0.7%		
	(a) 6.875%, due 2021	4,000	31,494		(1,277)	2,157
	(b) 8.75%, due 2020	2,000	15,781		(1,046)	1,372



Stock code	Bond issuer	Face value	Market	Percentage	Fair value	Interest
		of bonds held as at 31 March 2020	value as at 31 March 2020	of market value to the Remaining Group's total assets as at 31 March 2020	gain/(loss) for the year ended 31 March 2020	income for the year ended 31 March 2020
		US\$'000	HK\$'000		HK\$'000	HK\$'000
3383	Agile Group Holdings Limited (5.125%, due 2022)	10,000	71,410	1.1%	(5,984)	4,003
600606	Greenland Global Investment Limited, a wholly-owned subsidiary of Greenland Holdings Corporation Limited (5.25%, due 2021)	4,300	31,835	0.5%	(1,800)	1,763
	Bond disposed of during the year	—	—	—	—	411
		<u>97,457</u>	<u>686,949</u>	<u>10.3%</u>	<u>(68,273)</u>	<u>45,485</u>

For the six months ended 30 September 2020, the Remaining Group held the following portfolio of high yield bonds with an annualized average yield of about 7%:

Stock code	Bond issuer	Face value of	Market	Percentage	Fair value	Interest
		bonds held as at 30 September 2020	value as at 30 September 2020	to the Remaining Group's total assets as at 30 September 2020	gain/(loss) for the period ended 30 September 2020	income for the period ended 30 September 2020
		US\$'000	HK\$'000		HK\$'000	HK\$'000
754	Hopson Development Holdings Limited (7.5%, due 2022)	5,000	39,548	0.6%	2,935	1,454
813	Shimao Group Holdings Limited (6.375%, due 2021)	2,000	16,498	0.3%	406	495
884	CIFI Holdings (Group) Co. Ltd.			0.6%		
	(a) 5.5%, due 2023	1,000	7,931		(90)	—
	(b) 6%, due 2025	1,500	11,881		1,368	349
	(c) 6.875%, due 2021	2,000	16,150		405	533

Stock code	Bond issuer	Face value of bonds held as at		Market value as at	Percentage of market value to the Remaining Group's total assets as at	Fair value gain/(loss) for the period ended	Interest income for the period ended
		30 September 2020	30 September 2020				
		US\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1030	Seazen Group Limited				0.6%		
	(a) 6.15%, due 2023	2,500	19,982			(431)	—
	(b) 6.45%, due 2022	2,300	18,384			(249)	—
1233	Times China Holdings Limited (5.75%, due 2022)	3,000	23,873		0.4%	1,105	446
1238	Powerlong Real Estate Holdings Limited				0.7%		
	(a) 6.95%, due 2021	2,000	16,103			1,036	540
	(b) 6.95%, due 2023	3,400	27,329			(90)	916
	(c) 7.125%, due 2022	200	1,646			196	55
1638	Kaisa Group Holdings Ltd.				1.2%		
	(a) 7.875%, due 2021	2,000	15,805			1,523	610
	(b) 8.5%, due 2022	4,400	34,230			5,202	1,450
	(c) 11.25%, due 2022	3,000	25,086			3,078	1,309
1668	China South City Holdings Limited				0.5%		
	(a) 6.75%, due 2021	1,605	12,051			(101)	—
	(b) 11.5%, due 2022	3,000	23,512			(383)	—
1813	KWG Group Holdings Limited				0.9%		
	(a) 6%, due 2022	5,000	39,559			2,402	1,163
	(b) 7.4%, due 2024	2,000	16,032			1,833	574
1966	China SCE Group Holdings Limited (7.25%, due 2023)	4,150	33,795		0.5%	(199)	—
2007	Country Garden Holdings Company Limited (5.625%, due 2026)	14,000	121,888		1.9%	11,956	3,050

Stock code	Bond issuer	Face value of bonds held as at		Market value as at	Percentage of market value to the Remaining Group's total assets as at	Fair value gain/(loss) for the period ended	Interest income for the period ended
		30 September 2020	30 September 2020				
		US\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
2777	Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (5.75%, due 2022)	1,000	7,186		0.1%	161	223
3301	Ronshine China Holdings Limited (7.35%, due 2023)	5,000	38,735		0.6%	(363)	—
3333	China Evergrande Group				2.7%		
	(a) 7.5%, due 2023	10,743	68,198			6,657	3,123
	(b) 8.25%, due 2022	11,600	80,153			6,892	3,709
	(c) 8.75%, due 2025	4,714	29,472			2,724	1,599
3380	Logan Group Company Limited				0.7%		
	(a) 6.875%, due 2021	4,000	32,384			890	1,066
	(b) 8.75%, due 2020	2,000	16,087			306	678
3383	Agile Group Holdings Limited (5.125%, due 2022)	10,000	78,469		1.2%	7,059	1,986
6158	Zhenro Properties Group Limited				0.6%		
	(a) 8.3%, due 2023	3,000	24,132			918	—
	(b) 8.7%, due 2022	2,000	16,054			(357)	675
600606	Greenland Global Investment Limited, a wholly-owned subsidiary of Greenland Holdings Corporation Limited				0.6%		
	(a) 5.25%, due 2021	4,300	33,500			1,665	875
	(b) 6.125%, due 2023	1,000	7,625			(64)	—
Z25	Yanlord Land Group Limited (6.75%, due 2023)	4,308	35,638		0.6%	(470)	—
	Bond redeemed during the period	—	—	—	—	—	562
		<u>127,720</u>	<u>988,916</u>	<u>15.3%</u>		<u>57,920</u>	<u>27,440</u>

Brief description of principal business of the respective bond issuers is as follows:

<b>Name of company</b>	<b>Principal business</b>
Hopson Development Holdings Limited	Property development, commercial properties investment, property management, infrastructure and equity investment businesses
Shimao Group Holdings Limited	Property development, property investment and hotel operation
CIFI Holdings (Group) Co. Ltd.	Property development, property investment, property management and project management and other property related services
Seazen Group Limited	Property development and property investment
Times China Holdings Limited	Property development, urban redevelopment business, property leasing and property management
Powerlong Real Estate Holdings Limited	Property development, property investment and provision of commercial operational services and other businesses
Kaisa Group Holdings Ltd.	Property development, property investment, property management, hotel and catering operations and other businesses
China South City Holdings Limited	Property development, property investment, and property management and other businesses
KWG Group Holdings Limited	Property development, property investment, hotel operation and property management
China SCE Group Holdings Limited	Property development, property investment, property management, land development and project management
Country Garden Holdings Company Limited	Property development and construction
Guangzhou R&F Properties Co., Ltd.	Development and sale of properties, property investment, hotel operations and other property development related services
Ronshine China Holdings Limited	Property development

<b>Name of company</b>	<b>Principal business</b>
China Evergrande Group	Property development, property investment, property management and other businesses
Logan Group Company Limited	Property development, property investment, construction and decoration, and urban redevelopment business
Agile Group Holdings Limited	Property development, property investment, hotel operation, property management and environmental protection
Guangxi Financial Investment Group Co., Limited	Provision of micro and small loans, credit guarantees, property insurance, financing leasing and others
Qinghai Provincial Investment Group Co., Limited	Aluminum production, electricity generation, the mining and sale of coal, and other ancillary businesses (including property development and property management)
Zhenro Properties Group Limited	Property development, property leasing and commercial property management
Greenland Holdings Corporation Limited	Property development, property investment, construction and hotel operation
Yanlord Land Group Limited	Property development, property investment and hotel operations

The Remaining Group intended to continue investing in high yield bonds, which was a great tool to generate steady income stream, and would closely monitor the performance of the bond portfolio from time to time in light of the monetary environment.

Save as disclosed herein, during the three years ended 31 March 2020 and the six months ended 30 September 2020, the Remaining Group had not carried out any material acquisition or disposal of subsidiary or associate company or make any significant investments not in the ordinary and usual course of business of the Remaining Group.

#### **Employees and remuneration policies**

The Remaining Group had 167, 153, 134 and 134 employees as at 31 March 2018, 2019 and 2020 and 30 September 2020, respectively. The staff cost (including the directors' emoluments) of the Remaining Group for the three years ended 31 March 2018, 2019 and 2020 and the six months period ended 30 September 2020 were approximately HK\$50 million, HK\$50 million, HK\$48 million and HK\$19 million, respectively.

The Remaining Group recognized the importance of retaining high caliber and competent staff and continued to provide appropriate remuneration packages to employees with reference to prevailing market conditions and individual performance.

### **Charges on assets**

As at 31 March 2018, 2019 and 2020 and 30 September 2020, the Remaining Group had pledged its assets including investment properties, properties for sale and financial assets at fair value through profit or loss with an aggregate carrying value of HK\$1,651 million, HK\$1,176 million, HK\$1,001 million and HK\$1,142 million, respectively to secure banking facilities granted to subsidiaries of the Remaining Group.

### **Future plans for material capital assets**

During the three years ended 31 March 2020 and the six months ended 30 September 2020, save as disclosed, future plans for material capital assets of the Remaining Group included the development of the PRC and Hong Kong property projects and the cemetery project. The Remaining Group financed and intended to finance these future plans from internal resources and bank borrowings of the Remaining Group.

### **Gearing ratio**

The gearing ratio was calculated as a percentage of bank borrowings net of cash, bank balances and investments held for trading over net assets attributable to equity holders of the Remaining Group. As at 31 March 2018, 2019 and 2020 and 30 September 2020, the gearing ratio of the Remaining Group was N/A (net cash), 0.9%, 2.3% and N/A (net cash), respectively.

### **Exposure to fluctuations in exchange rates and related hedges**

The Remaining Group conducted its businesses in the PRC and Malaysia, with the income and the major cost items in these places being denominated in their local foreign currencies. Therefore, it is expected that any fluctuation of these foreign currencies' exchange rates would not have material effect on the operations of the Remaining Group. However, as the Remaining Group's consolidated financial statements are presented in Hong Kong dollar, the Remaining Group's financial position is subject to exchange exposure to these foreign currencies. The Remaining Group did not have any related hedges for the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020. The Remaining Group would closely monitor this risk exposure from time to time.

### **Contingent liabilities**

As at 31 March 2018, 2019 and 2020 and 30 September 2020, the Remaining Group had provided guarantees amounting to approximately HK\$316 million, HK\$72 million, HK\$32 million and HK\$17 million, respectively in favour of the banks for their provision of mortgage loans to the purchasers of properties sold by the Remaining Group in the PRC.

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

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the disposals contemplated under the SP Agreement A and the SP Agreement B (the “Disposals”) had been completed on 30 September 2020; and (b) the results and cash flows of the Remaining Group for the year ended 31 March 2020 as if the Disposals had been completed on 1 April 2019. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 September 2020 or at any future date had the Disposals been completed on 30 September 2020 or the results and cash flows of the Remaining Group for the year ended 31 March 2020 or for any future period had the Disposals been completed on 1 April 2019.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2020 extracted from the unaudited consolidated financial information of the Group for the six months ended 30 September 2020 as set out in the September 2020 interim report of the Company, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 March 2020 extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2020 as set out in the 2020 annual report of the Company, and the financial information of Double Wealthy Group and Kai Xiang after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

## 1. Unaudited Pro Forma Consolidated Balance Sheet of the Remaining Group

	The Group as at 30 September 2020 <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustments			The Remaining Group as at 30 September 2020 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>Note 3</i>	<i>HK\$'000</i> <i>Note 4</i>	<i>HK\$'000</i> <i>Note 7</i>	
<b>Non-current assets</b>					
Property, plant and equipment	52,564				52,564
Investment properties	1,599,899	(168,587)	(8,753)		1,422,559
Right-of-use assets	1,607				1,607
Properties for/under development	142,817				142,817
Cemetery assets	289,661				289,661
Associated company	3,949				3,949
Joint venture	355,671				355,671
Financial assets at fair value through other comprehensive income	144,170				144,170
Loans and receivables and other deposits	<u>215,187</u>			<u>149,842</u>	<u>365,029</u>
	<u>2,805,525</u>	<u>(168,587)</u>	<u>(8,753)</u>	<u>149,842</u>	<u>2,778,027</u>
<b>Current assets</b>					
Properties for sale	1,387,901	(436,971)	(79)		950,851
Cemetery assets	752,155				752,155
Inventories	49,795				49,795
Debtors and prepayments	50,727	(3,941)	(32)		46,754
Financial assets at fair value through profit or loss	1,065,935				1,065,935
Cash and bank balances	<u>991,763</u>	<u>(5,606)</u>	<u>(1,062)</u>	<u>1,348,576</u>	<u>2,333,671</u>
	<u>4,298,276</u>	<u>(446,518)</u>	<u>(1,173)</u>	<u>1,348,576</u>	<u>5,199,161</u>



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

	<b>The Group as at 30 September 2020</b>	<b>Pro forma adjustments</b>			<b>The Remaining Group as at 30 September 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 7</i>	
<b>Current liabilities</b>					
Creditors and accruals	301,820	(19,211)	(113)		282,496
Sales deposits received	28,711				28,711
Short-term bank borrowing	211,660				211,660
Current portion of long-term bank borrowings	829,222				829,222
Taxation payable	148,333	(76,883)			71,450
	<u>1,519,746</u>	<u>(96,094)</u>	<u>(113)</u>		<u>1,423,539</u>
Net current assets	<u>2,778,530</u>	<u>(350,424)</u>	<u>(1,060)</u>	<u>1,348,576</u>	<u>3,775,622</u>
Total assets less current liabilities	<u>5,584,055</u>	<u>(519,011)</u>	<u>(9,813)</u>	<u>1,498,418</u>	<u>6,553,649</u>
<b>Non-current liabilities</b>					
Long-term bank borrowings	625,000				625,000
Deferred taxation liabilities	417,798	(66,980)	(30)		350,788
Loans and payables with non-controlling interests	47,822				47,822
Other non-current liabilities	35,763				35,763
	<u>1,126,383</u>	<u>(66,980)</u>	<u>(30)</u>		<u>1,059,373</u>
<b>Net assets</b>	<u><u>4,457,672</u></u>	<u><u>(452,031)</u></u>	<u><u>(9,783)</u></u>	<u><u>1,498,418</u></u>	<u><u>5,494,276</u></u>
<b>Equity</b>					
Share capital	117,442				117,442
Reserves	4,219,578	(452,031)	(9,783)	1,498,418	5,256,182
Shareholders' funds	4,337,020	(452,031)	(9,783)	1,498,418	5,373,624
Non-controlling interests	120,652				120,652
<b>Total equity</b>	<u><u>4,457,672</u></u>	<u><u>(452,031)</u></u>	<u><u>(9,783)</u></u>	<u><u>1,498,418</u></u>	<u><u>5,494,276</u></u>

## 2. Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	The Group for the year ended 31 March 2020 HK\$'000 Note 2	Pro forma adjustments			The Remaining Group for the year ended 31 March 2020 HK\$'000
		HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 8	
Revenues	177,523	(1,082)	(227)		176,214
Cost of sales	(44,384)	6	68		(44,310)
Gross profit	133,139	(1,076)	(159)		131,904
Other income and net (loss)/gain	(51,058)	(47)	(25)	1,193,304	1,142,174
Selling and marketing expenses	(27,212)				(27,212)
Administrative and other operating expenses	(125,084)	11,965	54		(113,065)
Change in fair value of investment properties	(25,793)	33,104	1,342		8,653
Operating (loss)/profit	(96,008)	43,946	1,212	1,193,304	1,142,454
Finance costs	(73,957)				(73,957)
Share of results of associated companies	(1,139)				(1,139)
Share of result of a joint venture	11,049				11,049
(Loss)/profit before taxation	(160,055)	43,946	1,212	1,193,304	1,078,407
Taxation charge	(29,840)	(8,276)	(336)	(147,113)	(185,565)
(Loss)/profit for the year	(189,895)	35,670	876	1,046,191	892,842
Other comprehensive income:					
Items that had been/may be reclassified subsequently to profit and loss:					
Net exchange differences	(227,194)	22,835	683		(203,676)
Share of exchange reserve of a joint venture	(15,538)				(15,538)
Realization of exchange reserves upon disposals of subsidiaries	—			(58,530)	(58,530)
Total other comprehensive loss that had been/may be reclassified subsequently to profit and loss	(242,732)	22,835	683	(58,530)	(277,744)
Item that may not be reclassified subsequently to profit and loss:					
Change in fair value of financial assets at fair value through other comprehensive income	(4,178)				(4,178)
Total other comprehensive loss for the year	(246,910)	22,835	683	(58,530)	(281,922)
<b>Total comprehensive (loss)/income for the year</b>	<b>(436,805)</b>	<b>58,505</b>	<b>1,559</b>	<b>987,661</b>	<b>610,920</b>

## 3. Unaudited Pro Forma Consolidated Cash Flow Statement of the Remaining Group

	The Group				The
	for the year				Remaining
	ended				Group for
	31 March	Pro forma adjustments			the year
	2020	2020			ended
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	31 March
	Note 2	Note 5	Note 6	Note 9	2020
					HK\$'000
<b>Cash flows from operating activities</b>					
Operating loss	(96,008)	43,946	1,212		(50,850)
Interest income from bank deposits	(10,984)	47			(10,937)
Dividend income from financial assets at fair value through other comprehensive income	(3,647)				(3,647)
Net loss on disposal of investment properties	2,127				2,127
Net gain on disposal of property, plant and equipment	(78)				(78)
Change in fair value of investment properties	25,793	(33,104)	(1,342)		(8,653)
Reversal of provision for impairment of other deposits	(2,813)				(2,813)
Depreciation of property, plant and equipment	21,774				21,774
Depreciation of right-of-use assets	3,552				3,552
Provision for impairment of trade debtors	462				462
	<u>462</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>462</u>
Operating loss before working capital changes	<u>(59,822)</u>	<u>10,889</u>	<u>(130)</u>	<u>          </u>	<u>(49,063)</u>

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

	<b>The Group for the year ended 31 March 2020</b>	<b>Pro forma adjustments</b>				<b>The Remaining Group for the year ended 31 March 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>Note 2</i>	<i>Note 5</i>	<i>Note 6</i>	<i>Note 9</i>		
Operating loss before working capital changes	(59,822)	10,889	(130)		(49,063)	
Increase in loans and receivables and other deposits	(14,315)				(14,315)	
Increase in properties for/under development and properties for sale	(885,215)	4,941	81		(880,193)	
Decrease in cemetery assets	8,131				8,131	
Decrease in inventories	2,070				2,070	
Increase in debtors and prepayments	(67,387)	(574)	(39)		(68,000)	
Increase in financial assets at fair value through profit or loss	(81,869)				(81,869)	
Increase in creditors and accruals	26,476	(2,236)	83		24,323	
Increase in sales deposits received	1,209,583				1,209,583	
Cash from operations	137,652	13,020	(5)		150,667	
Interest paid	(85,252)				(85,252)	
Tax paid	(5,781)				(5,781)	
Net cash from operating activities	46,619	13,020	(5)		59,634	
<b>Cash flows from investing activities</b>						
Interest income received	10,755	(47)			10,708	
Dividend income received from financial assets at fair value through other comprehensive income	3,647				3,647	
Purchase of property, plant and equipment	(3,014)				(3,014)	
Additions to investment properties	(102,130)				(102,130)	
Purchase of financial assets at fair value through other comprehensive income	(2,111)				(2,111)	
Acquisition of subsidiaries, net of cash and bank balances acquired	(9,892)				(9,892)	
Proceeds from disposal of property, plant and equipment	133				133	
Proceeds from disposal of investment properties	22,002				22,002	
Net proceeds from disposals of subsidiaries, net of tax paid, cash and bank balances disposed of	—	(15,713)	(124)	1,254,371	1,238,534	
Increase in loan to an associated company	(46)				(46)	
Increase in investment in and decrease in amount due from a joint venture, net	17,949				17,949	
Net cash (used in)/from investing activities	(62,707)	(15,760)	(124)	1,254,371	1,175,780	

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

	<b>The Group for the year ended 31 March 2020</b>	<b>Pro forma adjustments</b>			<b>The Remaining Group for the year ended 31 March 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 2</i>	<i>Note 5</i>	<i>Note 6</i>	<i>Note 9</i>	
<b>Cash flows from financing activities</b>					
New bank borrowings	780,469				780,469
Repayment of bank borrowings	(920,341)				(920,341)
Dividends paid to shareholders	(46,977)				(46,977)
Change in loans and payables with non-controlling interests, net	5,093				5,093
Lease payments	<u>(3,574)</u>				<u>(3,574)</u>
Net cash used in financing activities	<u>(185,330)</u>				<u>(185,330)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(201,418)	(2,740)	(129)	1,254,371	1,050,084
Cash and cash equivalents at the beginning of the year	919,000				919,000
Exchange difference on cash and cash equivalents	<u>(14,290)</u>	<u>1,710</u>	<u>7</u>		<u>(12,573)</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>703,292</u>	<u>(1,030)</u>	<u>(122)</u>	<u>1,254,371</u>	<u>1,956,511</u>

*Notes:*

- The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 September 2020 as set out in the interim report of the Company for the six months ended 30 September 2020, which is referred to in section 1 of Appendix I to this circular.
- The amounts are extracted from the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 March 2020 as set out in the annual report of the Company for the year ended 31 March 2020, which is referred to in section 1 of Appendix I to this circular.
- These adjustments represent the exclusion of assets and liabilities of Double Wealthy Group to be disposed of as at 30 September 2020 assuming the Disposals were completed on 30 September 2020. The amounts have been extracted from the unaudited financial information of Double Wealthy Group as at 30 September 2020 as set forth in Appendix IIA of this circular (except for the amount due to immediate holding company which has been eliminated in the unaudited condensed consolidated balance sheet of the Group as at 30 September 2020 and will be assigned to the Purchaser at Completion), excluding the assets and liabilities of Double Wealthy Group which are retained by the Remaining Group.

A reconciliation is shown below:

	<b>Double Wealthy Group in Appendix IIA HK\$'000</b>	<b>Assets and liabilities retained HK\$'000 (Note a)</b>	<b>Assets and liabilities to be disposed of HK\$'000 (Notes b &amp; c)</b>
<b>Non-current assets</b>			
Property, plant and equipment	177	(177)	—
Investment properties	197,434	(28,847)	168,587
	<u>197,611</u>	<u>(29,024)</u>	<u>168,587</u>
<b>Current assets</b>			
Properties for sale	437,136	(165)	436,971
Debtors and prepayments	3,941		3,941*
Cash and bank balances	5,606		5,606*
	<u>446,683</u>	<u>(165)</u>	<u>446,518</u>
<b>Current liabilities</b>			
Creditors and accruals	19,211		19,211*
Sales deposits received	5,656	(5,656)	—
Taxation payable	76,883		76,883*
	<u>101,750</u>	<u>(5,656)</u>	<u>96,094</u>
<b>Non-current liability</b>			
Deferred taxation liabilities	77,504	(10,524)	66,980
<b>Net assets</b>	<u>465,040</u>	<u>(13,009)</u>	<u>452,031</u>

Sum of \* = Net liabilities of HK\$86,547,000 = Double Wealthy Completion NAV as at 30 September 2020

*Notes:*

- (a) These assets and liabilities are in relation to Phase 1 and Phase 2 of the Project (including the Retained Villa, the Retained Carparks and the Sold Villa but excluding Inventories) and Retained Assets which will be retained by the Remaining Group. Estimated tax expenses of approximately HK\$5,631,000 arising from the transfer of the Retained Villa, the Retained Carparks and the Retained Assets to be borne by the Remaining Group has been included in “Estimated expenses directly attributable to the Disposals” in Notes 7, 8 and 9 below.
- (b) For “Investment properties” and “Properties for sale”, the amounts mainly represent the Phase 3 Project, the Inventories and the Construction Costs Reimbursement of Double Wealthy Group to be disposed of. For “Deferred taxation liabilities”, the amount represents the deferred tax mainly arising from the date of acquisition of the Project.
- (c) According to the SP Agreement A, the estimated amounts of Construction Costs Reimbursement and Double Wealthy Completion NAV have been adjusted to the Consideration at the date of the SP Agreement A and shall be further revised upon the date of Completion.
4. These adjustments represent the exclusion of assets and liabilities of Kai Xiang to be disposed of as at 30 September 2020 assuming the Disposals were completed on 30 September 2020. The amounts have been extracted from the unaudited financial information of Kai Xiang as at 30 September 2020 as set forth in Appendix IIB of this circular.

A reconciliation is shown below:

	<b>Kai Xiang in Appendix IIB HK\$'000</b>	<b>Settlement HK\$'000 (Note a)</b>	<b>Assets and liabilities to be disposed of HK\$'000 (Note b)</b>
<b>Non-current asset</b>			
Investment property	8,753	—	8,753
<b>Current assets</b>			
Properties for sale	79	—	79
Debtors and prepayments	32	—	32*
Amount due from immediate holding company	728	(728)	—
Cash and bank balances	334	728	1,062*
	<u>1,173</u>	<u>—</u>	<u>1,173</u>
<b>Current liability</b>			
Creditors and accruals	113	—	113*
<b>Non-current liability</b>			
Deferred taxation liabilities	30	—	30
<b>Net assets</b>	<u><u>9,783</u></u>	<u><u>—</u></u>	<u><u>9,783</u></u>

Sum of \* = HK\$981,000 = Kai Xiang Completion NAV as at 30 September 2020

Notes:

- (a) According to the SP Agreement B, the amount due from immediate holding company will be settled by the PRC Vendor of the Remaining Group before completion.
- (b) According to the SP Agreement B, the estimated amount of Kai Xiang Completion NAV has been adjusted to the PRC Consideration at the date of the SP Agreement B and shall be further revised upon the date of completion.
5. These adjustments represent the exclusion of the results and cash flows of Double Wealthy Group to be disposed of for the year ended 31 March 2020 assuming the Disposals were completed on 1 April 2019. The amounts have been extracted from the financial information of Double Wealthy Group for the year ended 31 March 2020 as set forth in Appendix IIA of this circular (except for the change in amount due to immediate holding company in the cash flow statement which has been eliminated in the audited consolidated cash flow statement of the Group), excluding the results and cash flows arising from the assets and liabilities of Double Wealthy Group which are retained by the Remaining Group.

A reconciliation is shown below:

	<b>Double Wealthy Group in Appendix IIA HK\$'000</b>	<b>Profit and loss arising from assets and liabilities retained HK\$'000 (Note)</b>	<b>Profit and loss to be disposed of HK\$'000</b>
Revenues	38,100	(37,018)	1,082
Cost of sales	<u>(19,758)</u>	<u>19,752</u>	<u>(6)</u>
Gross profit	18,342	(17,266)	1,076
Other income and net loss	(2,974)	3,021	47
Selling and marketing expenses	(1,337)	1,337	—
Administrative and other operating expenses	(12,038)	73	(11,965)
Change in fair value of investment properties	<u>(48,034)</u>	<u>14,930</u>	<u>(33,104)</u>
Loss before taxation	(46,041)	2,095	(43,946)
Taxation	<u>(6,185)</u>	<u>14,461</u>	<u>8,276</u>
Loss for the year	<u>(52,226)</u>	<u>16,556</u>	<u>(35,670)</u>
Other comprehensive income:			
Item that may be reclassified subsequently to profit and loss:			
Net exchange differences	<u>(23,885)</u>	<u>1,050</u>	<u>(22,835)</u>
Other comprehensive loss for the year	<u>(23,885)</u>	<u>1,050</u>	<u>(22,835)</u>
Total comprehensive loss for the year	<u>(76,111)</u>	<u>17,606</u>	<u>(58,505)</u>

Note: These profit and loss items were transacted during the year ended 31 March 2020 and were derived from Phase 1 and Phase 2 of the Project (but excluding Inventories) and the Retained Assets which belonged to the Remaining Group.



	Double Wealthy Group in Appendix IIA <i>HK\$'000</i>	Cash flows arising from assets and liabilities retained <i>HK\$'000</i>	Cash flows to be disposed of <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Loss before taxation	(46,041)	2,095	(43,946)
Interest income from bank deposits	(47)	—	(47)
Net loss on disposal of investment properties	3,426	(3,426)	—
Change in fair value of investment properties	48,034	(14,930)	33,104
Depreciation of property, plant and equipment	4	(4)	—
Operating profit/(loss) before working capital changes	5,376	(16,265)	(10,889)
Decrease/(increase) in properties for sale	11,710	(16,651)	(4,941)
Decrease in debtors and prepayments	574	—	574
Increase in creditors and accruals	2,236	—	2,236
Increase in sales deposits received	8,716	(8,716)	—
Cash from/(used in) operations	28,612	(41,632)	(13,020)
Tax paid	(4,681)	4,681	—
Net cash from/(used in) operating activities	23,931	(36,951)	(13,020)
<b>Cash flows from investing activities</b>			
Interest income received	47	—	47
Proceeds from disposal of investment properties	19,502	(19,502)	—
Net cash from investing activities	19,549	(19,502)	47
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year	43,480	(56,453)	(12,973)
Exchange difference on cash and cash equivalents	15,713	—	15,713
	(1,710)	—	(1,710)
<b>Cash and cash equivalents at the end of the year</b>	<b>57,483</b>	<b>(56,453)</b>	<b>1,030</b>

6. These adjustments represent the exclusion of the results and cash flows of Kai Xiang to be disposed of for the year ended 31 March 2020 assuming the Disposals were completed on 1 April 2019. The amounts have been extracted from the financial information of Kai Xiang for the year ended 31 March 2020 as set forth in Appendix IIB of this circular.

7. These adjustments represent the total estimated amount of the Consideration and the PRC Consideration which is satisfied in cash at Completion in the amount as shown below, as if the Disposals had been completed on 30 September 2020, except for the Deferred Consideration and the Deferred Tax Amount which will be settled after Completion according to the terms of the SP Agreement A:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration and PRC Consideration (RMB1,574.6 million)		1,889,569
Adjustments for Double Wealthy Completion NAV and Kai Xiang Completion NAV:		
Exclusion of the aggregate estimated maximum amount of Double Wealthy Completion NAV and Kai Xiang Completion NAV in the Consideration and the PRC Consideration (HK\$126.7 million + HK\$1.1 million)	(127,761)	
Inclusion of the aggregate amount of Double Wealthy Completion NAV and Kai Xiang Completion NAV as at 30 September 2020 as shown in Notes 3 and 4 above (–HK\$86.5 million + HK\$0.9 million)	<u>(85,566)</u>	
		(213,327)
Less: Estimated amount of construction costs of the Phase 3 Project incurred subsequent to 30 September 2020 adjusted to the Consideration		<u>(21,428)</u>
Adjusted total consideration <sup>^</sup> ( <i>note</i> )		1,654,814
Less: Estimated expenses directly attributable to the Disposals		(14,914)
Estimated Seller's Tax Liability		<u>(141,482)</u>
Estimated cash inflow from the Disposals		1,498,418
Less: Cash and bank balances disposed of as mentioned in Notes 3 and 4 above		<u>(6,668)</u>
Net cash proceeds from the Disposals		<u><u>1,491,750</u></u>
Estimated cash inflow from the Disposals represented by:		
Net cash proceeds to be received at Completion included in "Cash and bank balances"		1,348,576
Deferred Consideration and Deferred Tax Amount to be received after Completion included in "Loans and receivables and other deposits"		<u>149,842</u>
		<u><u>1,498,418</u></u>

<sup>^</sup> The assets and liabilities to be disposed of excluded the amount due to immediate holding company by Double Wealthy, which will be assigned to the Purchaser at Completion from the net value of assets and liabilities of Double Wealthy.

*Note:* Adjusted total consideration represents the amount to be received if the Disposals had been completed on 30 September 2020, which has taken into account Double Wealthy Completion NAV and Kai Xiang Completion NAV as at 30 September 2020 and construction costs of the Phase 3 Project incurred as at 30 September 2020.

The realization of exchange reserves upon disposals of subsidiaries of approximately HK\$46,891,000 is reclassified to profit or loss (i.e. within reserves) in the Unaudited Pro Forma Financial Information.

For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the effect of discounting for Deferred Consideration and Deferred Tax Amount is not material and have not been accounted for. It is also assumed that there is no shortfall of Deferred Tax Amount to be paid to the Purchaser as mentioned under the sub-section headed “The SP agreement A — 5. Deferred Tax Amount” of the letter from the Board in this circular.

The actual amounts of the adjusted total consideration, Seller’s Tax Liability and the gain on the Disposals recorded in “Retained profits” can only be determined at Completion and after the tax clearance from the respective tax authorities for Seller’s Tax Liability, which may be substantially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

8. These adjustments represent the estimated gain on the Disposals assuming the Disposals had taken place on 1 April 2019:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration and PRC Consideration (RMB1,574.6 million)		1,889,569
Adjustments for Double Wealthy Completion NAV and Kai Xiang Completion NAV:		
Exclusion of the aggregate estimated maximum amount of Double Wealthy Completion NAV and Kai Xiang Completion NAV in the Consideration and the PRC Consideration (HK\$126.7 million + HK\$1.1 million)	(127,761)	
Inclusion of the aggregate amount of Double Wealthy Completion NAV and Kai Xiang Completion NAV as at 1 April 2019 to be adjusted	<u>(147,885)</u>	
		(275,646)
Less: Estimated amount of construction costs of the Phase 3 Project incurred subsequent to 1 April 2019 adjusted to the Consideration		<u>(53,314)</u>
Adjusted total consideration <sup>^</sup> ( <i>note</i> )		1,560,609
Less: Estimated expenses directly attributable to the Disposals (excluding tax expenses)		<u>(9,283)</u>
		<u>1,551,326</u>
Less: Net value of assets and liabilities of Double Wealthy Group (excluding amount due to immediate holding company) <sup>^</sup> to be disposed of as at 1 April 2019 (as set out in Appendix IIA to this circular)	(495,544)	
Exclusion of assets and liabilities in relation to Phase 1 and Phase 2 of the Project (except for Inventories) and Retained Assets to be retained by the Remaining Group	89,777	
Net value of assets and liabilities of Kai Xiang to be disposed of as at 1 April 2019 (as set out in Appendix IIB to this circular)	<u>(10,785)</u>	
		(416,552)
Add: Realization of exchange reserves upon Disposals as at 1 April 2019		<u>58,530</u>
Estimated gain on the Disposals before taxation		<u>1,193,304</u>
Less: Estimated Seller's Tax Liability	(141,482)	
Estimated expenses directly attributable to the Disposals (tax expenses in Note 3(a))	<u>(5,631)</u>	
		<u>(147,113)</u>
Estimated gain on the Disposals after taxation		<u>1,046,191</u>
Other comprehensive income:		
Item that had been reclassified subsequently to profit and loss:		
Realization of exchange reserves upon Disposals of subsidiaries		<u>(58,530)</u>
Other comprehensive loss for the year		<u>(58,530)</u>
Total comprehensive income for the year		<u>987,661</u>

<sup>^</sup> The assets and liabilities to be disposed of excluded the amount due to immediate holding company by Double Wealthy, which will be assigned to the Purchaser at Completion from the net value of assets and liabilities of Double Wealthy.

*Note:* Adjusted total consideration represents the amount to be received if the Disposals had been completed on 1 April 2019, which has taken into account Double Wealthy Completion NAV and Kai Xiang Completion NAV as at 1 April 2019 and the construction costs of the Phase 3 Project incurred as at 1 April 2019.

For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the effect of discounting for Deferred Consideration and Deferred Tax Amount is not material and have not been accounted for. It is also assumed that there is no shortfall of Deferred Tax Amount to be paid to the Purchaser as mentioned under the sub-section headed “The SP agreement A — 5. Deferred Tax Amount” of the letter from the Board in this circular.

The actual amounts of the adjusted total consideration, Seller’s Tax Liability and the gain on the Disposals can only be determined at Completion and after the tax clearance from the respective tax authorities for Seller’s Tax Liability, which may be substantially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

9. These adjustments represent the estimated cash flow from the Disposals assuming the Disposals had taken place on 1 April 2019:

	<i>HK\$’000</i>	<i>HK\$’000</i>
Consideration and PRC Consideration (RMB1,574.6 million)		1,889,569
Adjustments for Double Wealthy Completion NAV and Kai Xiang Completion NAV:		
Exclusion of the aggregate estimated maximum amount of Double Wealthy Completion NAV and Kai Xiang Completion NAV in the Consideration and the PRC Consideration (HK\$126.7 million + HK\$1.1 million)	(127,761)	
Inclusion of the aggregate amount of Double Wealthy Completion NAV and Kai Xiang Completion NAV as at 1 April 2019 to be adjusted	<u>(147,885)</u>	(275,646)
Less: Estimated amount of construction costs of the Phase 3 Project incurred subsequent to 1 April 2019 adjusted to the Consideration		<u>(53,314)</u>
Adjusted total consideration ( <i>note</i> )		1,560,609
Less: Estimated expenses directly attributable to the Disposals		(14,914)
Estimated Seller’s Tax Liability		<u>(141,482)</u>
Estimated cash inflow from the Disposals		<u>1,404,213</u>
Less: Deferred Consideration and Deferred Tax Amount to be received after Completion		<u>(149,842)</u>
Net cash proceeds from the Disposals at Completion		<u><u>1,254,371</u></u>

*Note:* Adjusted total consideration represents the amount to be received if the Disposals had been completed on 1 April 2019, which has taken into account Double Wealthy Completion NAV and Kai Xiang Completion NAV as at 1 April 2019 and the construction costs of the Phase 3 Project incurred as at 1 April 2019.

The actual amounts of the adjusted total consideration, Seller’s Tax Liability and the cash flow from the Disposals can only be determined at Completion and after the tax clearance from the respective tax authorities for Seller’s Tax Liability, which may be substantially different from the estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

10. Regarding the unaudited pro forma consolidated balance sheet, apart from Note 7 above (including the adjustment of the estimated amount of construction costs) relating to the Disposals, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.
11. Regarding the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement, apart from Notes 8 and 9 above (including the adjustment of the estimated amount of construction costs) relating to the Disposals, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 April 2019.
12. Other than the adjustments mentioned in Notes 5 and 6, the above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated cash flow statement of the Remaining Group.
13. The financial information relating to the year ended 31 March 2020 of Double Wealthy Group included in this Unaudited Pro Forma Financial Information does not constitute Double Wealthy Group's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As Double Wealthy is not a public company, it is not required to deliver its financial statements to the Registrar of Companies as required by section 622 and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (Cap. 622).

Double Wealthy's auditor has reported on the stand alone financial statements of Double Wealthy for the year ended 31 March 2020. No audited consolidated financial statements have been prepared as Double Wealthy has satisfied the exemption requirement set out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622) for the year ended 31 March 2020. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP**

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



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHUANG'S CHINA INVESTMENTS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chuang's China Investments Limited (the "Company") and its subsidiaries (collectively the "Group") excluding Double Wealthy Company Limited and its subsidiary (the "Double Wealthy Group") and Guangzhou Kai Xiang Properties Management Company Limited ("Kai Xiang") (collectively the "Remaining Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 September 2020, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 March 2020, the unaudited pro forma consolidated cash flow statement for the year ended 31 March 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-16 of the Company's circular dated 19 March 2021, in connection with the proposed disposals of the Double Wealthy Group and Kai Xiang (the "Disposals") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-16.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposals on the Group's financial position as at 30 September 2020 and the Group's financial performance and cash flows for the year ended 31 March 2020 as if the Disposals had taken place at 30 September 2020 and 1 April 2019 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial information for the six months ended 30 September 2020, on which a review report has been issued, and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2020, on which an audit report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

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

**Our Independence and Quality Control**

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been



undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposals at 30 September 2020 for the Group's financial position and at 1 April 2019 for the Group's financial performance and cash flows would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 19 March 2021

*The following is the text of a letter and valuation report prepared for the propose of incorporation in this circular received from Colliers International (Hong Kong) Limited, an independent property valuer, in connection with its valuation as at 31 January 2021 of the properties.*



**The Board of Directors**

Chuang's China Investments Limited  
25/F, Alexandra, House, 18 Chater Road,  
Central, Hong Kong

19 March 2021

Dear Sirs,

**INSTRUCTIONS, PURPOSE AND VALUATION DATE**

We refer to your instructions for us to assess the market value (the "**Market Value**") of certain property interests in the People's Republic of China (the "**PRC**") (more particularly described in the attached valuation particulars) (the "**Properties**") which will be disposed of by wholly-owned subsidiaries of Chuang's China Investments Limited (the "**Company**" and together with its subsidiaries, the "**Group**"). We confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Properties as at 31 January 2021 (the "**Valuation Date**") for disposal purposes.

**VALUATION STANDARDS**

The valuation has been carried out in accordance with the prevailing valuation standards, namely, the Royal Institution of Chartered Surveyors'(RICS) Valuation — Global Standards, incorporating the International Valuation Standards Council's International Valuation Standards and with reference to the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors. We have also complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**VALUATION BASIS**

Our valuation is made on the basis of Market Value which 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 wherein the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset or liability without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

### VALUATION ASSUMPTIONS

- Our valuation has been made on the assumption that the seller disposes of the Properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Properties.
- No allowance has been made for any charges, mortgages or amounts owing on the Properties or for any expenses or taxations which may be incurred in effecting a sale.
- Unless otherwise stated, we have assumed that the Properties are free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value.
- It is assumed that any land premium or other fees payable for the acquisition, transfer, sale, letting or mortgage of the Properties have been fully paid and settled.
- We have assumed proper title has been obtained, and the Properties and the interest valued therein can be freely transferred, mortgaged and let in the market.
- We are not aware of any easements or rights of way affecting the Properties and have assumed that none exist.
- We have assumed that all information, estimates and opinions furnished to us and contained in this report including all information provided by the Group, are true and correct, fit for valuation purposes, and from reliable sources. We can assume no responsibility for accuracy.
- We have not carried out any detailed site measurements to verify the correctness of areas, nor have we tested any of the services and facilities. We have assumed that the areas shown on the documents provided to us are correct and that the services and facilities are in good working order.
- We have assumed that the Properties are free from any contamination and environmental problems or hazards.

### VALUATION METHODOLOGY

We have adopted the Market Approach to determine the Market Value of Property 1 and Property 3 and the Gross Development Value of Property 2, which is a method of estimating the value of a property by comparing recent sales of similar properties in the surrounding area. By analysing sales which qualify as ‘arms-length’ transactions, between willing buyers and sellers, adjustments can be made for size, location, time, age, quality and other relevant factors when comparing such sales against a property. This approach is commonly used to value standard properties when reliable sales evidence is available.

To arrive at the Market Value of Property 2 (in its existing state), we have adopted the Residual Method, which is a means of valuing assets, land, or properties by reference to their development potential. The value is the residue of the Gross Development Value of the proposed development scheme upon completion, deferred by the development period up to the time when all the asset or property has been disposed of in the open market, after deducting the development costs including demolition costs, construction costs, professional fees and allowance for risk and profit.

### **SITE INSPECTION**

We have inspected the exterior and, where possible, the interior of the Properties on 27 January 2021. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects or deleterious materials. No tests were carried out on any of the services and we cannot advise on the adequacy of plant and machinery servicing the Properties and its tenants. We have assumed that the Energy Performance certificates on the Properties are of a marketable standard and will not prejudice any sales or lettings.

### **INFORMATION SOURCES**

We have relied upon information provided by the Group in respect of the title documents, master layout plan and area measurements of the Properties which have been accepted as correct for the purposes of this valuation. We have no reason to doubt the truth and accuracy of the information provided by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect any material information has been withheld.

### **PROPERTY MEASUREMENT**

We have relied upon the measurements provided to us by the Group. No on-site measurements have been taken.

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

### **TITLE INVESTIGATION**

We have obtained copies of the title documents relating to the Properties. However, we have not searched the original documents nor verified the existence of any amendments, which do not appear in the documents available to us. In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the legal opinion issued by the Group's PRC legal adviser, King & Wood Mallesons (金杜律師事務所) (the "**Group's PRC Legal Adviser**"), regarding the title to the Properties.

**CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Chinese Renminbi (RMB).

Our valuation particulars are attached hereto.

Yours faithfully,  
For and on behalf of  
**Colliers International (Hong Kong) Limited**  
**Hannah Jeong**  
*MSc (Real Estate) MRICS MHKIS RPS(GP)*  
*Head*  
*Valuation and Advisory Services*

*Note:* Hannah Jeong holds a Master of Science Degree and is a Member of The Royal Institution of Chartered Surveyors with over 16 years' experience in the real estate industry. Her valuation experience covers the United Kingdom, Central and West Asia, Greater China, Korea, Hong Kong and other regions. Hannah is a Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice).

## VALUATION PARTICULARS

## Property interests for which the Group is considering disposal of:

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 January 2021 <i>RMB</i>					
The unsold portion of Phases 1 & 2 of Chuang's Le Papillon, No. 126 Liangang Road, Shilou Town, Panyu District, Guangzhou, the PRC ("Property 1", representing the Inventories)	Property 1 comprises 15 villas with 70 years land use right, 1 commercial unit for commercial use with 40 years land use right and 368 car parking spaces.	As at the Valuation Date, Property 1 is vacant.	159,110,000 (One Hundred and Fifty Nine Million One Hundred and Ten Thousand Only)					
	<p>Details of the approximate gross floor areas of Property 1 are as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq. m.)</th> </tr> </thead> <tbody> <tr> <td>15 villas</td> <td>4,763.90</td> </tr> <tr> <td>2-storey commercial unit</td> <td><u>821.06</u></td> </tr> <tr> <td><b>Total:</b></td> <td><b><u>5,584.96</u></b></td> </tr> </tbody> </table> <p>Property 1 was completed in around 2012.</p>			Use	Approximate Gross Floor Area (sq. m.)	15 villas	4,763.90	2-storey commercial unit
Use	Approximate Gross Floor Area (sq. m.)							
15 villas	4,763.90							
2-storey commercial unit	<u>821.06</u>							
<b>Total:</b>	<b><u>5,584.96</u></b>							

Notes:

1. Details of Building Ownership Certificates are as follows:

Building Ownership Certificate Number	GFA (sq. m.) (approximately)	Land Use Rights Expiry	Property Use	Owner's Name
<b>15 villas:</b>				
粵(2018)廣州市不動產權第07061077號	318.22	November 2067	Residential	Guangzhou Panyu Chuang's Real Estate Development Company Limited <sup>#</sup> (廣州市番禺區莊士房地產開發有限公司) (“Panyu ProjectCo”)
粵(2018)廣州市不動產權第07061074號	318.22	November 2067	Residential	
粵(2018)廣州市不動產權第07061335號	317.57	March 2068	Residential	
粵(2018)廣州市不動產權第07061333號	317.12	March 2068	Residential	
粵(2018)廣州市不動產權第07061316號	317.12	March 2068	Residential	
粵(2018)廣州市不動產權第07061314號	317.12	March 2068	Residential	
粵(2018)廣州市不動產權第07061313號	317.12	March 2068	Residential	
粵(2018)廣州市不動產權第07061310號	317.12	March 2068	Residential	
粵(2018)廣州市不動產權第07061309號	317.57	March 2068	Residential	
粵(2018)廣州市不動產權第07061489號	317.57	March 2068	Residential	
粵(2018)廣州市不動產權第07061483號	318.22	March 2068	Residential	
粵(2018)廣州市不動產權第07061480號	318.22	June 2068	Residential	
粵(2018)廣州市不動產權第07061462號	317.57	June 2068	Residential	
粵(2018)廣州市不動產權第07061460號	317.57	June 2068	Residential	
粵(2018)廣州市不動產權第07061456號	317.57	June 2068	Residential	
	4,763.90			
<b>1 commercial unit:</b>				
粵房地權證穗字第0220092777號	821.06	November 2037	Commercial	
<b>Total:</b>	<b>5,584.96</b>			

2. The 15 villas, 1 commercial unit and 303 car parking spaces of Property 1 are held for sale. There are 65 social car parking spaces for which there is no commercial value.
3. Property 1 was inspected by Miao Jiang *MSc*, Manager, Colliers International (Hong Kong) Limited on 27 January 2021.
4. This certificate was prepared by Hannah Jeong *MRICS MHKIS RPS(GP)*.
5. We have been provided with a legal opinion on the title to Property 1 issued by the Group's PRC Legal Adviser, which includes, inter alia, the following information:
- (i) The Building Ownership Certificates of Property 1 are valid, legal and enforceable under the PRC laws;
  - (ii) Panyu ProjectCo is the sole legal land user of Property 1;
  - (iii) Panyu ProjectCo has the rights to freely lease, transfer, mortgage and dispose of Property 1; and
  - (iv) All land premium of the related Land Use Rights have been paid and settled.

<sup>#</sup> English translation only

6. The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the opinion of the Group's PRC Legal Adviser are as follows:

State-owned Land Use Rights Certificates	Yes
Contracts for Grant of State-owned Land Use Rights	Yes
Certificates of Completion Acceptance	Yes
Building Ownership Certificates	Yes

7. The Property is situated in Shilou Town, Panyu, an old residential area of 5 km away from Yayun City, one of the largest development clusters in Panyu. Development in the vicinity comprises a mixture of old domestic buildings and community facilities, retail shops including groceries stores, supermarket and kindergarten, etc.. A tourism destination namely Seagull Island (海鷗島) is about 2 km away from the Property. Public transports such as buses and taxis are readily available along Liangang Avenue.
8. In our valuation, we have made reference to some asking comparable during quarter 4 of 2020 near the subject property. We have adopted the range of unit rates between RMB28,000 to RMB31,000 per sq. m. (villa), RMB11,300 to RMB15,200 per sq. m. (retail) and RMB105,000 to RMB160,000 per space (car parking space). The average unit rates adopted in our valuation is RMB25,026 per sq. m. for villa, RMB11,708 per sq. m. for retail, RMB100,000 for car parking spaces, and the unit rates adopted in our valuation are consistent with the said price reference.

Due adjustments to the unit rates of those price of villa, retail and car parking spaces have been considered to reflect factors including asking nature of all comparables hence we adopted downward adjustment to reflect the asking price is negotiable. We have applied building age downward adjustment in our villa valuation, as all asking comparable are newer age than the subject villa; and also applied downward building quality adjustment since all comparable have superior quality than the subject villa. Regarding the retail portion, we have applied downward adjustment on the comparable due to location of them are superior than the subject retail unit, also we adopted downward adjustment on building age of the comparable, as most of the comparable are newer than the subject retail unit. For the car parking spaces, we have only applied downward adjustments on location in our valuation, as the comparable is in better location than the subject car parking spaces.



## VALUATION PARTICULARS

## Property interests for which the Group is considering disposal of:

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 January 2021 RMB	
The development site in Phase 3 of Chuang's Le Papillon, No. 126 Liangang Road, Shilou Town, Panyu District, Guangzhou, the PRC ("Property 2", representing the Phase 3 Project)	Property 2 comprises three land plots with 70 years land use right and a total site area of approximately 95,771 square metres (sq. m.). Details of the approximate site areas of Property 2 are as follows:	Property 2 is a vacant site and is planned for development by stage. Construction works have been commenced for portion of Property 2.	1,510,000,000 (One Billion Five Hundred and Ten Million Only) (refer to Note 5)	
	<b>Land Use Rights Certificate Number</b>			<b>Approximate Site Area (sq. m.)</b>
	G09-001005			32,833
	G09-001007			29,738
	G09-001008			<u>33,200</u>
<b>Total:</b>	<b><u><u>95,771</u></u></b>			
	The total permitted plot ratio gross floor area of the Property is approximately 175,011 sq. m.. The saleable floor area is about 162,958.64 sq. m..			

## Notes:

1. Details of Land Use Rights Certificates are as follows:

Land Use Rights Certificate Number	Site Area (sq. m.) (approximately)	Land Use Rights Expiry	Land Uses	Owner's Name
G09-001005	32,833	December 2062	Residential, Commercial and Other Uses	Guangzhou Panyu Chuang's Real Estate Development Company Limited <sup>#</sup> (廣州市番禺區莊士房地產開發有限公司) ("Panyu ProjectCo")
G09-001007	29,738	January 2067		
G09-001008	33,200	December 2062		
<b>Total:</b>	<b>95,771</b>			

2. Property 2 is held for development.
3. Property 2 was inspected by Miao Jiang *MSc*, Manager, Colliers International (Hong Kong) Limited on 27 January 2021.
4. This certificate was prepared by Hannah Jeong *MRICS MHKIS RPS(GP)*.
5. The market value of Property 2 has taken into account the construction cost incurred of RMB90,587,000 as at 31 January 2021 (excluding the construction cost incurred, the valuation of Property 2 is RMB1,419,413,000).
6. We have been provided with a legal opinion on the title to Property 2 issued by the Group's PRC Legal Adviser, which includes, inter alia, the following information:
- (i) The Land Use Rights Certificates of Property 2 are valid, legal and enforceable under the PRC laws;
- (ii) Panyu ProjectCo is the sole legal land user of Property 2;
- (iii) Panyu ProjectCo has the rights to freely lease, transfer, mortgage and dispose of Property 2; and
- (iv) All land premium of the related Land Use Rights have been paid and settled.
7. The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the opinion of the Group's PRC Legal Adviser are as follows:

State-owned Land Use Rights Certificates	Yes
Contracts for Grant of State-owned Land Use Rights	Yes
Planning Permits of Construction Use of Land	Yes
Planning Permits of Construction Works	Yes (part)
Permit for Commencement of Construction Works	Yes (part)
Pre-Sale Permits of Commodity Housing	No
Certificate of Completion Acceptance	No

8. The Property is situated in Shilou Town, Panyu, an old residential area of 5 km away from Yayun City, one of the largest development clusters in Panyu. Development in the vicinity comprises a mixture of old domestic buildings and community facilities, retail shops including groceries stores, supermarket and kindergarten, etc.. A tourism destination namely Seagull Island (海鷗島) is about 2 km away from the Property. Public transports such as buses and taxis are readily available along Liangang Avenue.
9. In assessing the gross development value of the property, we have made reference to some asking comparable during quarter 4 of 2020 to quarter 1 of 2021 near the subject property. We have adopted the range of unit rates between RMB22,300 to RMB28,000 per sq. m. (apartment), RMB29,500 to RMB32,500 per sq. m. (villa), RMB9,800 to RMB15,600 per sq. m. (retail) and car parking spaces RMB105,000 to RMB160,000 per space. The average unit rates adopted in our valuation is RMB22,260 per sq. m. for apartment, RMB29,340 per sq. m. for villa, RMB11,800 per sq. m. for retail, RMB100,000 for car parking spaces, and the unit rates adopted in our valuation are consistent with the said price reference.

Due adjustments to the unit rates of those price of apartment, villa, retail and car parking spaces have been considered to reflect factors including asking nature of all comparable hence we adopted downward adjustment to reflect the asking price is negotiable. We have applied building age upward adjustment in our apartment and villa valuation, as all asking comparable are older age than the subject apartment and villa; and also applied upward building quality adjustment since all comparable have inferior quality than the subject apartment and villa. We also applied downward adjustment on size for apartment comparable as they are smaller than the subject apartment. Regarding the retail portion, we have applied downward adjustment on the comparable due to location of them are superior than the subject retail unit, also we adopted upward adjustment on building age of the comparable, as most of the comparable are older than the subject retail unit. For the car parking spaces, we have applied downward adjustments on location in our valuation, as the comparable is in better location than the subject car parking spaces.

<sup>#</sup> English translation only

## VALUATION PARTICULARS

## Property interests for which the Group is considering disposal of:

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 January 2021 RMB
Crystal Clubhouse at Phase 1 of Chuang's Le Papillon, No. 126 Liangang Road, Shilou Town, Panyu District, Guangzhou, the PRC ("Property 3", representing the Crystal Clubhouse)	Property 3 comprises 1 clubhouse for commercial use with 40 years land use right and 1 car parking space.	The 1-storey clubhouse of Property 3 is subject to a tenancy at a current monthly rent of RMB27,600 per month expiring in March 2027.	9,580,000 (Nine Million Five Hundred and Eighty Thousand Only)
	The details of the approximate gross floor area of Property 3 is as follows:		
	<b>Approximate Gross Floor Area (sq. m.)</b>		
	1-storey Clubhouse	<u>809.28</u>	
	Property 3 was completed in around 2012.		

## Notes:

1. Details of Building Ownership Certificate are as follows:

Building Ownership Certificate Number	GFA (sq. m.) (approximately)	Land Use Rights Expiry	Property Use	Owner's Name
粵(2019)廣州市 不動產權 第07011367號	809.28	November 2037	Commercial	Guangzhou Kai Xiang Properties Management Company Limited <sup>#</sup> (廣州市凱翔物業管理有限公司) (“ <b>Kai Xiang</b> ”)

2. The clubhouse and 1 car parking space of Property 3 are held for sale.
3. Property 3 was inspected by Miao Jiang *MSc*, Manager, Colliers International (Hong Kong) Limited on 27 January 2021.
4. This certificate was prepared by Hannah Jeong *MRICS MHKIS RPS(GP)*.
5. We have been provided with a legal opinion on the title to Property 3 issued by the Group's PRC Legal Adviser, which includes, inter alia, the following information:
- The Building Ownership Certificate of Property 3 is valid, legal and enforceable under the PRC laws;
  - Kai Xiang is the sole legal land user of Property 3;
  - Kai Xiang has the rights to freely lease, transfer, mortgage and dispose of Property 3; and
  - All land premium of the related Land Use Rights have been paid and settled.
6. The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the opinion of the Group's PRC Legal Adviser are as follows:
- |  |     |
|--|-----|
| State-owned Land Use Rights Certificates           | Yes |
| Contracts for Grant of State-owned Land Use Rights | Yes |
| Certificates of Completion Acceptance              | Yes |
| Building Ownership Certificate                     | Yes |
7. The Property is situated in Shilou Town, Panyu, an old residential area of 5 km away from Yayun City, one of the largest development clusters in Panyu. Development in the vicinity comprises a mixture of old domestic buildings and community facilities, retail shops including groceries stores, supermarket and kindergarten, etc.. A tourism destination namely Seagull Island (海鷗島) is about 2 km away from the Property. Public transports such as buses and taxis are readily available along Liangang Avenue.
8. In our valuation, we have made reference to some asking comparable during quarter 4 of 2020 and quarter 1 of 2021 near the subject property. We have adopted the range of unit rates between RMB11,300 to RMB15,200 per sq. m. (retail) and car parking spaces RMB105,000 to RMB160,000 per space. The average unit rates adopted in our valuation for retail unit is RMB11,708 per sq. m., and RMB100,000 for the car parking space, and the unit rates adopted in our valuation are consistent with the said price reference.

Due adjustments to the unit rates of those price of retail and car parking space have been considered to reflect factors including asking nature of all comparable hence we adopted downward adjustment to reflect the asking price is negotiable. We have applied downward adjustment on the retail comparable due to location of them are superior than the subject retail unit, also we adopted downward adjustment on building age of the comparable, as most of the comparable are newer than the subject retail unit. For the car parking space, we have applied downward adjustments on location in our valuation, as the comparable is in better location than the subject car parking space.

<sup>#</sup> English translation only

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Interests of Directors

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

#### (a) *Interests in the Company*

Name of Director	Nature of interest	Number of shares	Percentage of shareholding
Mr. Sunny Pang Chun Kit	Beneficial owner	930,000	0.04%
Mr. Neville Charles Kotewall (“Mr. Neville Kotewall”)	(Note)	1,255,004	0.05%

*Note:* Such interests arose by attribution through his spouse, Mrs. Candy Kotewall Chuang Ka Wai (“**Ms. Candy Chuang**”).

*(b) Interests in associated corporations*(i) Evergain Holdings Limited (“**Evergain**”)

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Albert Chuang Ka Pun (“ <b>Mr. Albert Chuang</b> ”)	Beneficial owner	1	10.00%
Mr. Chong Ka Fung	Beneficial owner	1	10.00%
Mr. Geoffrey Chuang Ka Kam	Beneficial owner	1	10.00%
Mr. Neville Kotewall	<i>Note</i>	1	10.00%

*Note:* Such interests arose by attribution through his spouse, Ms. Candy Chuang.

## (ii) Interests in Chuang’s Consortium

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Albert Chuang	Beneficial owner	1,299,678	0.08%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**Interests of substantial Shareholders in the Company and interests of substantial shareholders in other member of the Group**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(i) *Long positions in the Shares*

Name	Nature of interest	Number of Shares	Percentage of shareholding
Profit Stability Investments Limited (“Profit Stability”) (Note 1)	Beneficial owner	1,426,074,923	60.71%
Chuang’s Consortium (Note 1)	Interest in controlled corporation	1,426,074,923	60.71%
Evergain (Note 1)	Interest in controlled corporation	1,426,074,923	60.71%
Mr. Alan Chuang Shaw Swee (“Mr. Alan Chuang”) (Note 1)	Interest in controlled corporation	1,426,074,923	60.71%
Mrs. Chong Ho Pik Yu (Note 2)	Interest of spouse	1,426,074,923	60.71%

*Notes:*

- Interests in 1,426,074,923 Shares owned by Profit Stability as at the Latest Practicable Date. Profit Stability is a wholly-owned subsidiary of Chuang’s Consortium. Mr. Alan Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of Chuang’s Consortium through Evergain which is 60% beneficially owned by Mr. Alan Chuang. Mr. Albert Chuang, Mr. Chong Ka Fung, Ms. Candy Chuang and Mr. Geoffrey Chuang Ka Kam are directors of Chuang’s Consortium and directors and shareholders of Evergain, and Mr. Albert Chuang is also a director of Profit Stability. Miss Ann Li Mee Sum is also a director of Chuang’s Consortium.
- Such interests arose by attribution through her spouse, Mr. Alan Chuang.

## (ii) Long positions in other members of the Group

Name of non-wholly-owned subsidiary of the Company	Name of substantial shareholder	Approximate percentage held by the substantial shareholder in the subsidiary of the Company
Gold Capital Profits Limited	Mr. Fan Xiao Han	14.6%
Noble Century Investment Limited	Mr. Fan Xiao Han	10%
Hunan Han Ye Real Estate Development Company Limited <sup>#</sup> (湖南漢業房地產開發有限公司)	Miss Zhou Chang Chun	10%
Dragon Rich Investments Limited	Lawdion Investments Limited	15%
Xiamen Mingjia Binhai Resort Company Limited <sup>#</sup> (廈門佻家濱海度假村有限公司)	Xiamen Tourism Group Limited <sup>#</sup> (廈門旅遊集團有限公司)	30%
Profitable Industries Limited	China Utilities Limited	12.5%
Versilcraft Holdings Limited	Repute Rise Limited	33.3%

<sup>#</sup> *English translation only*

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

#### Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.



**Interests in assets**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**Service contracts**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

**Interests in other competing business**

The Company discloses that Mr. Albert Chuang, Miss Ann Li Mee Sum, Mr. Chong Ka Fung and Mr. Geoffrey Chuang Ka Kam hold directorships in Chuang's Consortium, and Mr. Albert Chuang, Mr. Chong Ka Fung and Mr. Geoffrey Chuang Ka Kam hold equity interests and directorships in certain private companies. The principal activities of Chuang's Consortium include property development in Hong Kong and securities investment and trading, whereas the principal activities of the private companies include securities investment and trading.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

**3. LITIGATION**

As announced on 9 November 2018, 26 June 2019, 10 July 2019 and 30 December 2019, the Company received the civil complaint from the minority shareholder of the PRC subsidiary in Changsha against the Company, an executive director of the Company and the legal representative of that subsidiary. The civil complaint was heard by the court in Hunan in July 2020 and August 2020. Based on the Company's legal advices, the civil complaint is not supported by sufficient facts and/or legal basis, and that the Company has sufficient grounds to vigorously contest the complaint.

As announced on 12 December 2019, the Group obtained the judgement from 四川省高級人民法院 (Sichuan Province Higher People's Court<sup>#</sup>) that various agreements relating to the joint venture project in Chengdu entered into between the Group and the PRC parties shall be rescinded. Also as announced on 31 December 2019, the PRC parties had filed an appeal against one of the judgement payments, whereas the Group had also filed an appeal for the judgement payments to be raised. As announced on 10 February 2021, the Group had received

<sup>#</sup> *English translation only*

the final judgement from 最高人民法院 (Supreme People's Court<sup>#</sup>) which accepted the Group's certain appeal opinions and requests and made a revision of the judgement payments in favour of the Group.

The Company announced on 22 June 2017, 22 November 2017, 13 December 2017, 25 April 2018 and 12 February 2019 in respect of the derivative action commenced by Chinaculture.com Limited, a wholly-owned subsidiary of the Company, on behalf of CNT Group Limited ("CNT"), a company listed on the Stock Exchange, against certain executive directors of CNT as defendants, and CNT as a nominal defendant. The substantive trial of the derivative action was heard as scheduled on 9 November 2020 at the High Court of Hong Kong and is awaiting for the court decision.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, the Group is not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against member of the Group.

#### 4. EXPERTS AND CONSENTS

The qualification of the experts who have given their opinions in this circular is as follows:

<b>Name</b>	<b>Qualifications</b>
PricewaterhouseCoopers	Certified Public Accountants
Colliers	Professional surveyor and valuer
King & Wood Mallesons ("K&W")	PRC legal adviser

As at the Latest Practicable Date, each of PricewaterhouseCoopers, Colliers and K&W had no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and had no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up.

Each of PricewaterhouseCoopers, Colliers and K&W has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name, in the form and context in which they respectively appear.

<sup>#</sup> *English translation only*

## 5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the sale and purchase agreement dated 30 April 2020 entered into between Bizking Limited (“**BL**”), an indirectly wholly-owned subsidiary of the Company, and Retain Prosper Limited (“**RPL**”) in relation to the disposal by BL to RPL of the entire issued share capital of Noble Title Limited for a consideration of approximately GBP94,215,000 (subject to adjustments), details of which were set out in the announcement and the circular of the Company dated 3 May 2020 and 3 June 2020 respectively;
- (b) the SP Agreement A; and
- (c) the SP Agreement B.

## 6. GENERAL

- (a) The secretary of the Company is Ms. Lee Wai Ching who is a fellow of both the Chartered Governance Institute in the United Kingdom and the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business in Hong Kong is situated at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.
- (c) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Progressive Limited, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) In the event of any inconsistency, the English texts of the circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours (Saturdays and public holidays excepted) up to and including the date which is 14 days from the date of this circular:

- i. the memorandum of association and bye-laws of the Company;
- ii. the annual reports of the Company for the years ended 31 March 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 September 2020;

- iii. the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV to this circular;
- iv. the valuation report prepared by Colliers, the text of which is set out in Appendix V to this circular;
- v. the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- vi. the written consents referred to in the paragraph headed “Experts and Consents” in this appendix;
- vii. the circular of the Company dated 3 June 2020; and
- viii. this circular.



Chuang's China Investments Limited

(莊士中國投資有限公司)

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 298)

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Chuang's China Investments Limited (the "**Company**") will be held at 7th Floor, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Tuesday, 13 April 2021 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

**ORDINARY RESOLUTIONS**

(1) "**THAT:**

- (i) the conditional sale and purchase agreement dated 9 February 2021 ("**SP Agreement A**") entered into amongst Chuang's China Realty Limited ("**Vendor**"), FS Dongguan No. 6 Ltd ("**Purchaser**"), the Company (as the Vendor's guarantor) and First Sponsor Group Limited (as the Purchaser's guarantor) (a copy of which has been produced at the meeting and marked "**A**" and initialled by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the sale and purchase by the Vendor to the Purchaser of the entire issued share capital of Double Wealthy Company Limited ("**Double Wealthy**") and the entire amount of the shareholder's loan owing by Double Wealthy to the Vendor immediately prior to the completion of the SP Agreement A at an estimated consideration of approximately RMB1,564,141,479 (equivalent to approximately HK\$1,877.0 million) (subject to adjustments in accordance with the terms and conditions of the SP Agreement A) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (ii) the directors of the Company (including any duly authorized committee of the board of directors) be and are hereby authorized to do all such things and acts and execute all such documents which they consider necessary, desirable, or expedient in connection with the implementation or completion of the SP Agreement A and/or any variation, amendments or waiver of the terms of the SP Agreement A."

## NOTICE OF SGM

(2) “**THAT:**

- (i) the conditional sale and purchase agreement dated 9 February 2021 (“**SP Agreement B**”) entered into amongst Guangzhou Heng Yang Investment Services Limited<sup>#</sup> (廣州恒陽投資諮詢服務有限公司) (“**PRC Vendor**”) and First Sponsor (Guangdong) Group Limited<sup>#</sup> (首鑄(廣東)集團有限公司) and Shoucheng (Dongguan) Real Estate Co., Ltd.<sup>#</sup> (首誠(東莞)房地產有限公司) (collectively, “**PRC Purchaser Group**”) (a copy of which has been produced at the meeting and marked “**B**” and initialled by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the sale and purchase by the PRC Vendor to the PRC Purchaser Group of the entire issued share capital of Guangzhou Kai Xiang Properties Management Company Limited<sup>#</sup> (廣州市凱翔物業管理有限公司) at an estimated consideration of approximately RMB10.5 million (equivalent to approximately HK\$12.6 million) (subject to adjustments in accordance with the terms and conditions of the SP Agreement B) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (ii) the directors of the Company (including any duly authorized committee of the board of directors) be and are hereby authorized to do all such things and acts and execute all such documents which they consider necessary, desirable, or expedient in connection with the implementation or completion of the SP Agreement B and/or any variation, amendments or waiver of the terms of the SP Agreement B.”

By order of the Board of  
**Chuang’s China Investments Limited**  
**Lee Wai Ching**  
*Company Secretary*

Hong Kong, 19 March 2021

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

*Head office and principal place  
of business in Hong Kong:*  
25th Floor  
Alexandra House  
18 Chater Road  
Central  
Hong Kong

<sup>#</sup> *English translation only*

## NOTICE OF SGM

*Notes:*

1. A member entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company.
2. To be valid, a form of proxy in the prescribed form, together with any power of attorney or other authority (if any), under which it is signed or a certified copy thereof must be deposited at the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
3. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 8 April 2021 to Tuesday, 13 April 2021, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 April 2021.
4. For joint registered holders of any shares of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if the shareholder was solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall alone be entitled to vote in respect thereof.
5. To safeguard the health and safety of attending shareholders and proxies and to reduce the risk of Covid-19 spreading, the following precautionary measures will be taken at the meeting of the Company:
  - (i) compulsory body temperature check;
  - (ii) mandatory wearing of surgical face mask (please bring your own);
  - (iii) no refreshments will be served and no corporate gifts will be distributed;
  - (iv) no entry will be allowed to any person who is subject to mandatory quarantine order imposed by the HKSAR Government and any person who does not comply with the precautionary measures may be denied entry into the meeting venue; and
  - (v) in order to ensure appropriate social distancing, attendees will be assigned seats in different rooms or partitioned areas with telecommunication facilities, if appropriate.

**Shareholders are strongly encouraged to appoint the Chairman of the meeting of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the meeting of the Company in person.**

**Subject to the development of Covid-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.**